AR59

1997 ANNUAL REPORT

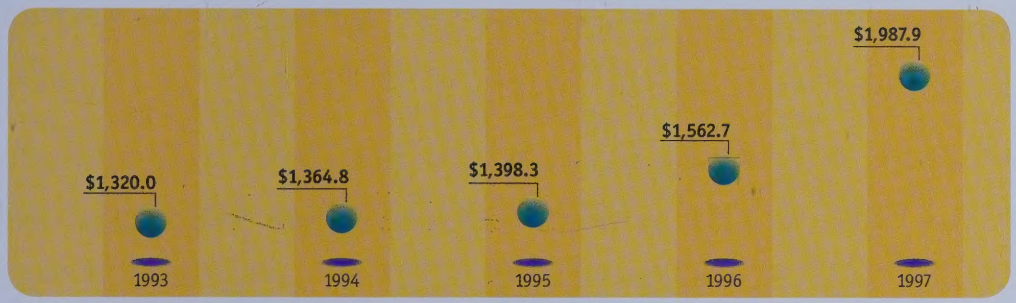
Making Waves

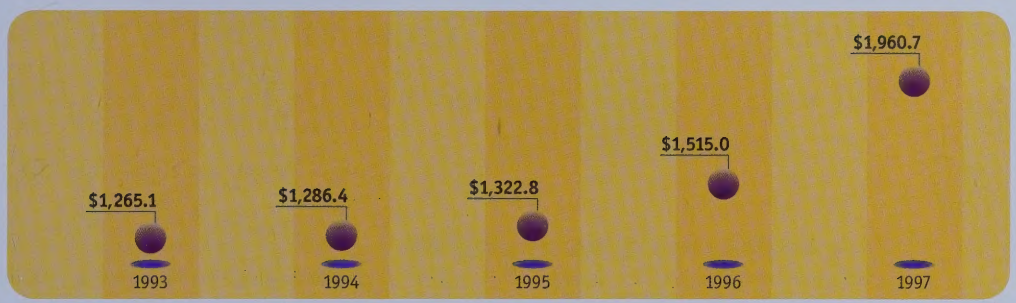
TELEGLOBE

Teleglobe is a global North American-based intercontinental telecommunications carrier whose network and service capabilities can be accessed in virtually all countries. Through Teleglobe Communications, which includes Teleglobe Canada, Teleglobe USA and all of the other Teleglobe carrier entities worldwide, the Corporation develops and provides intercontinental services to meet the global connectivity needs of established and emerging carriers from around the world, as well as those of Internet service providers, cable network operators, broadcasters, large corporate users and consumers. Teleglobe owns and operates one of the world's most extensive overseas telecommunications networks. The Teleglobe Marine Group is engaged in the business of laying, maintaining and repairing submarine cables. Through Teleglobe Media Enterprises and Teleglobe World Mobility, Teleglobe is developing a dynamic presence in the new media sector as well as in global satellite-based wireless services.

Revenues

(in millions of Canadian dollars)





Total revenues Teleglobe Communications

Financial highlights

(in millions of Canadian dollars)	1997	1996	1995
Revenues			
Teleglobe Communications	$1,960.7	$1,515.0	$1,322.8
Teleglobe World Mobility	–	19.0	25.2
Teleglobe Enterprises	27.2	28.7	50.3
Total revenues	$1,987.9	$1,562.7	$1,398.3
Gross margin	$ 718.2	$ 606.0	$ 566.9
Income from operations before unusual items	281.8	214.0	157.2
Income from continuing operations	118.4	107.6	66.1
Net income	140.5	112.5	89.4
Cash flow*	281.1	270.8	243.7
Total assets	2,584.0	2,310.4	2,080.3
Long-term debt	615.3	798.5	684.0
Shareholders' equity	1,114.5	939.2	873.5
Per share			
(in Canadian dollars)			
Income from operations before unusual items	$ 4.48	$ 3.67	$ 2.70
Earnings – basic	2.12	1.81	1.41
– fully diluted	2.04	1.68	1.31
Cash flow*	4.47	4.64	4.19
Dividends declared			
Common and first series preferred	0.57	0.46	0.39
Second series preferred	0.67	2.00	2.00
Third series preferred	1.35	1.35	1.35

*Cash flow represents cash flow from operations before net changes in non-cash operating balances.

1997 WAS A REMARKABLE YEAR. ~ TELEGLOBE NOT ONLY ACHIEVED STRONG BUSINESS AND FINANCIAL GROWTH BUT IT ALSO ESTABLISHED A SOLID FOUNDATION FOR FUTURE SUCCESS. ~ THE CORPORATION'S EXCEPTIONAL RESULTS WERE CLEARLY DEMONSTRATED BY A MARKED INCREASE IN THE VOLUME OF TRAFFIC CARRIED ON ITS NETWORK AS WELL AS BY ROBUST GROWTH IN TOTAL REVENUES.

Charles Sirois
Chairman of
the Board and Chief
Executive Officer

The global telecommunications industry is undergoing profound changes. Throughout 1997, Teleglobe succeeded in strengthening its industry position by capitalizing on opportunities which resulted from these changes. The Corporation is now poised to realize its ambitious growth plans by expanding into new regions, continuing to diversify its customer base and further extending the range of its product and service offerings.

Our operations have undergone considerable geographic expansion, and we now have almost 30 business offices worldwide serving key regional markets. Teleglobe is moving rapidly to secure licenses to operate directly in many of these markets. 1997 was a pivotal year as we made significant progress in developing our sales organizations and operating facilities in both the United States and Europe. France, Germany, the United Kingdom and the United States now represent the largest telecommunications markets in which we are present and operating. In addition, during 1997 and early 1998, Teleglobe obtained new licenses or operating authorities in Australia, Denmark, El Salvador, France, Germany, Hong Kong, Italy, Japan, the Netherlands, Spain and the United States and is establishing a network presence in each country.

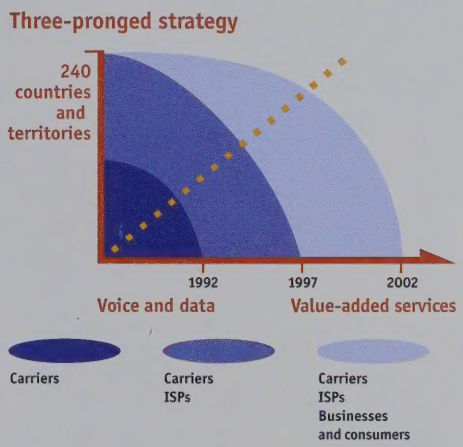
In 1997, we integrated all of our existing telecommunications activities across all market segments into a single operating unit under the leadership of Paolo Guidi. Initially known as the Global Telecommunications Services group, this unit has since been renamed Teleglobe Communications Corporation.

This integration allows us to consolidate our global expertise, in areas such as network management, carrier relations, product development and information technology, in order to serve all of our markets, allowing more resources to be focused on developing our regional sales and marketing capabilities.

The strength of our global organization became apparent in 1997. A record number of new products and services were introduced across global markets, including services such as *Millennium*™, *GlobeATM*™, *Globeframe*™, *Globeinternet*™ and Home Country Direct. Our telecommunications traffic reached 2.8 billion minutes and our total revenues neared the $2 billion mark, 38% and 27% increases respectively over 1996. International telecommunications minutes, excluding Canadian outbound and inbound traffic, accounted for 34% of our total traffic in 1997, compared with 7% only two years ago. Out of our total 1997 revenues from switched and non-switched services, 43% were derived from traffic neither originating nor terminating in Canada. That percentage increased to 49% in the last quarter of the year.

In addition to strong revenue growth, it is a key priority for the Corporation to maintain gross margins through the continuous reduction of our operating costs, principally those costs associated with the termination of Teleglobe's traffic by other

Approximately five years after deciding to diversify our traffic sources, we have made significant inroads into the global telecom market and achieved our goals. Not only did non-Canadian traffic account for 43% of our revenues in 1997, but we are now also very active in the Internet business and currently hold licenses in 13 countries. What's more, in an industry where prices keep going down, we have demonstrated an ability to capture new markets while at the same time improving our financial situation and performance.

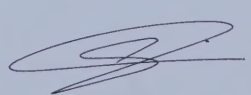


carriers. From 1993 to 1997, while prices in the international telecommunications industry declined by 30%, Teleglobe reduced the outpayments it made to terminating carriers by 35%, thus maintaining healthy gross margins. The Corporation prides itself on being a leader in the international telecommunications sector in terms of established correspondent relationships as well as the development of network routing alternatives which allow us to manage our costs aggressively.

The experienced management team of our global organization continues to concentrate its efforts on achieving exceptional growth, demonstrating the ability to adapt rapidly to our changing environment. We welcome the market liberalization initiatives which resulted from the 1997 World Trade Organization (WTO) agreement, as well as unilateral national deregulation initiatives which stem from the increasing market pressures to open competition in telecommunications services. As a result of our focused international strategy and our global know-how, Teleglobe is well positioned to take advantage of current and future worldwide market opportunities.

I would like to express my special thanks to Ronald W. Osborne and Pierre Collins, who left the Board in 1997. They were replaced by Jean C. Monty, President and Chief Operating Officer of BCE Inc. and Chairman and Chief Executive Officer of Bell Canada, and Carmand Normand, President of Addenda Capital Inc. I extend my sincere appreciation to all Board members for their contributions.

Looking to the new millennium, the continued acceleration of our financial and business performance presents major challenges. However, the proven abilities of our management team and the dedication of our employees give me great confidence that we will continue our rapid pace of expansion and strong financial growth. I wish to take this opportunity to thank our employees around the world for a highly successful year.



Charles Sirois
Chairman of the Board and Chief Executive Officer

Breaking
down
barriers

In 1997, Teleglobe significantly extended its reach and accelerated its evolution as a global telecommunications player. ≈ Perhaps the greatest measure of its success was the Corporation's 38% increase in total annual traffic volume over 1996. ≈ Through the consolidation of its activities under newly formed Teleglobe Communications Corporation, which has principal offices in Montréal and the greater Washington, D.C. area, the Corporation overcame traditional geographic and market obstacles and moved into new arenas. ≈ Connecting to virtually every country in the world, Teleglobe's network carries the full range of telecommunications services, including voice, data, Internet, video and value-added services. ≈ They are provided through direct network links and established relationships with more than 275 carriers in 140 countries via state-of-the-art satellite systems and fiber-optic undersea cable systems. ≈ Teleglobe's network, traffic volume, key points of presence and customer base all grew worldwide in 1997. ≈ It was a year of accelerated global activity that has positioned Teleglobe strategically for the years ahead.

Established in strategic telecommunications markets, Teleglobe currently provides services to hundreds of carriers and Internet service providers worldwide. Its plans are for continued growth in all regions of the world by delivering value to an expanding customer base. These plans call for network expansion and the acquisition of licenses in newly deregulated countries in order to reduce distribution costs. As licensing opportunities in the world's nations continue to expand, Teleglobe will be there to offer the best telecommunications network access, as well as products and services with the most value.

In 1997, Teleglobe opened business offices in 10 countries: Colombia, Egypt, India, Italy, Japan, the Netherlands, Norway, the Philippines, Spain and Thailand. The Corporation was also granted new licenses or operating authorities in 11 countries and territories in 1997 and early 1998: Australia, Denmark, El Salvador, France, Germany, Hong Kong, Italy, Japan, the Netherlands, Spain and the United States.

To accommodate the planned worldwide expansion of its services, Teleglobe made network improvements in 1997 aimed at meeting several challenges: better support existing customer needs; anticipate traffic growth accompanying the Corporation's increasing reach; and hold down operating and capital costs.

The Corporation's success in boosting traffic by 38% was accompanied by improvements in network performance, including a significant capacity increase, a 34% reduction in circuit implementation time and improved circuit utilization. This resulted in greater efficiency and cost-effectiveness.

Teleglobe's network has international gateway switches in London, Montréal, New York City, Toronto and Vancouver. Other significant international access points were added during the year, in Frankfurt, Los Angeles and Paris, giving more customers access to Teleglobe's international facilities. At the beginning of 1998, Teleglobe expanded its reach in the North American market by securing fiber-optic capacity from Qwest Communications through an agreement by which the two companies will swap capacity on their respective networks. A swap agreement was also reached with Esprit Telecom to extend Teleglobe's reach via Esprit's pan-European fiber-optic network.

The entire network is supported by the Corporation's state-of-the-art International Network Management Center in Montreal, which facilitates network optimization, least-cost routing and centralized traffic processing. This sophisticated center delivers advanced network efficiency, security, fraud protection and superior control to customers around the globe.

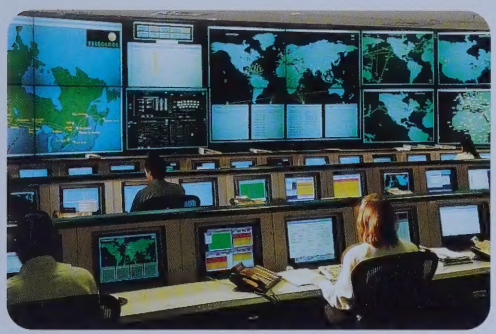
Teleglobe's high-bandwidth *Globeinternet*™ backbone has positioned the Corporation as a leader in international connectivity access to Internet markets worldwide. Building on this position, it added 10 high-speed router nodes to its network to respond to the burgeoning Internet traffic demand.

At year's end, Teleglobe joined 13 other leading North American and Asian telecommunications carriers in announcing the construction of the China-US Cable Network. When this system becomes operational at the end of 1999, the Corporation will benefit from the quantum leap in network capacity to serve the explosive potential in Asia-Pacific markets.

Teleglobe and Singapore Telecommunications Limited (SingTel) agree to jointly provide an Internet backbone network between Singapore and North America.

January

The entire network is supported by the Corporation's state-of-the-art International Network Management Center in Montréal.



On the Atlantic side, Teleglobe's majority ownership of the high-speed *Globesystem Atlantic*™ fiber-optic cable, extending from North America to its five landing points in Europe, will be enhanced through the Corporation's acquisition of restoration capacity as well as new transmission capacity in the Atlantic Crossing (AC-1) submarine cable system. The AC-1 system will allow the Corporation to implement ring protection for its customer traffic and open up a host of new networking opportunities.

In 1998, Teleglobe will continue to seek out new areas in which to leverage its network, as it acquires additional operating licenses throughout the world. As the Corporation captures more minutes in more markets, it will continue to explore Internet-driven opportunities and make strategic network augmentations, including the addition of switching capabilities in major cities such as Los Angeles, Miami and Tokyo to serve fast-growing routes.

Canada

In 1997, Teleglobe took important steps to secure its position as the country's market leader for international services once the overseas market opens to full competition in 1998. These steps involved the aggressive introduction of new services, and the further improvement of the Corporation's cost structure and organizational skills to maintain market share and capitalize on new opportunities in the changing environment.

Teleglobe also worked to establish a solid foundation as the leading international supplier with its existing and valued Canadian customer base, introducing, for example, innovative promotions tailored to meet specific carrier needs and objectives.

The Corporation laid the groundwork for its future in Canada by introducing a record series of new products and services in 1997. These included *Globeinternet*, Asynchronous Transfer Mode (ATM) services, Universal International Freephone Number (UIFN), *GlobeIML*™ and Personal Communications Service (PCS) international roaming. The Corporation intends to continue its overall dynamic growth in the Canadian market, aiming to expand its business with telecommunications and Internet service providers as well as create new distribution channels.

WORLD TRADE ORGANIZATION

The WTO

agreement signed by, 69 countries
most of which commit to improved access to
their telecommunications markets.

February

Teleglobe's Canadian traffic grew significantly in 1997, with 1.11 billion outbound minutes, a 22% increase over the 915 million minutes recorded in 1996.

The Canadian traffic increase was the result of the Corporation's aggressive pricing strategy, which helped recapture a significant portion of outbound Canadian traffic in 1997.

Home Country Direct calling service, marketed under *Canada Direct*™, experienced strong growth in 1997, supported by enhanced promotional efforts with airlines and travel agencies.

The Corporation also significantly strengthened its sales presence in the Toronto area which, combined with sales offices in Montréal, Ottawa and Vancouver, gives it broad coverage of the Canadian market.

Teleglobe is an active participant in legislative and regulatory proceedings to implement the market liberalization commitments of governments, including Canada, under the WTO agreement concluded in early 1997. In the Canadian market, the Corporation is committed to ensuring it has the legislative and regulatory flexibility to compete fairly and aggressively with the world's major international carriers.

United States

In 1997, Teleglobe's significant expansion in the United States laid the groundwork for the Corporation's growing global success. In its first full year as a licensed, facilities-based carrier in the US, Teleglobe introduced new products and addressed new customer segments in that nation's more than US$20 billion international market.

Highlights:

Milestone minutes: Teleglobe originated 270 million minutes of traffic from the United States, a fourfold increase compared with 1996.

Wholesale market expansion: 95 US carriers now use Teleglobe's network, up from 30 at the beginning of the year.

On the Big Board: In June, Teleglobe listed on the New York Stock Exchange, where its common shares are traded under the symbol TGO.

Retail market entry: Teleglobe successfully entered the US overseas long-distance market with its roll-outs of business and consumer services. The Corporation's launch of services to retail businesses and consumers in the New York City area represents its first significant expansion into these two market segments.

Teleglobe signs an agreement with **Ameritech** Communications, Inc. to offer international calling capabilities to Ameritech's customers.

March

Bonjour Paris

Teleglobe expands its presence in France by opening a Paris office, obtaining an operating license and planning a network access center.

April

Teleglobe goes west: The Corporation's new Los Angeles international access center is up and running.

Building on 1997's US achievements in the growth of traffic and number of carrier customers, service to new market segments and network development, Teleglobe will expand its growing US customer base. In 1998, it will increase its presence in New York and enter other major metropolitan areas. Leadership in the US market foreshadows Teleglobe's growth strategies and success worldwide.

Western Europe

In its first full year of operation as a facilities-based carrier in the UK and after obtaining newly available licenses in Denmark, France, Germany, Italy, the Netherlands and Spain, Teleglobe strengthened its European presence and reached significant milestones that set the stage for future success. Thanks to its operating licenses, Teleglobe is moving closer to its goal of becoming a specialized end-to-end provider in Europe by owning more vital network links.

Noteworthy achievements in 1997:

Building Teleglobe's presence: The Corporation installed switching facilities in Frankfurt, as well as an international access center in Paris. Internet nodes were opened in Frankfurt, London and Paris. In addition, Teleglobe opened key offices in Italy, the Netherlands and Norway. It also established its Northern European headquarters in London, such that it now has two full-service offices in the United Kingdom to serve the region's customers. By expanding its business with traditional and emerging carriers, wireless operators and resellers, Teleglobe significantly boosted its European traffic.

Milestone account: Teleglobe celebrated its first European corporate direct access account when it signed an agreement with the City of London Telecommunications plc (COLT) to provide voice, Internet and ATM services.

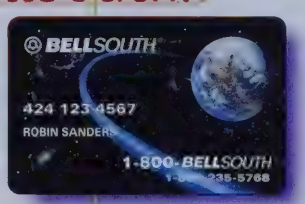
Academia online: The Corporation was selected to provide high-speed Internet services to SuperJANET, NORDunet, SURFnet and DANTE, respectively the research and academic networks of the UK, the Nordic countries, the Netherlands and other European countries. Researchers and educators throughout Europe will use Teleglobe's extensive transmission network and Internet routing service to collaborate with their counterparts worldwide.

Teleglobe's strategic positioning in Europe in 1997 anticipated the liberalized regulatory environment set to take hold in 1998. As Teleglobe positions itself to be an end-to-end facilities-based provider wherever regulatory conditions permit, in-country presence will be vital to its success. The Corporation plans to expand its service offerings in this key region, including dedicated access, switched access using dial-around codes, International Toll-Free Service (ITFS), private line, calling card and *Globeinternet*, and to establish new distribution channels. With a dynamic infrastructure now being implemented, competition and decreasing regulation will provide Teleglobe with unprecedented opportunities in Europe.

Teleglobe launches its
1st consumer calling service,
marketing directly to the Russian, Chinese and Korean communities in the New York City area.

May

Teleglobe signs Home Country Direct agreement with
BellSouth.



June

The huge demand for Internet services helped Teleglobe to position itself strategically as a premiere service supplier.

Latin America and the Caribbean

Teleglobe began to develop a local presence in this fast-growing market, with the opening in Colombia of its first office in the region.

Online: In Latin America, high-speed *Globeinternet* connectivity and routing became available in Argentina, Brazil, Paraguay, Peru and Venezuela. Eleven carriers and Internet service providers in that region of the world contracted with Teleglobe in 1997. In Paraguay, Teleglobe installed a state-of-the-art Internet system for Antelco, the national telecommunications administration. In Brazil, Teleglobe established two *Globeinternet* broadband links with Embratel, the country's international carrier, leveraging its long-standing bilateral interconnection agreement. The Corporation also established bilateral interconnections for telephone service between Teleglobe USA and carriers in Argentina, the Bahamas and Mexico.

Carrier-to-carrier business dominated Teleglobe's 1997 activities in Latin America and the Caribbean. The huge regional demand for Internet services helped Teleglobe to position itself strategically as one of the area's premiere service suppliers. And, as Internet service demand there continues to grow, Teleglobe is working to identify key customers and provide a full range of *Globeinternet* services to meet and anticipate their needs. In 1998, the Corporation plans more expansion in the region as regulatory conditions allow.

Asia-Pacific

This exciting and vibrant market promises great opportunity for Teleglobe as the Corporation continues its expansion into Asia and the Pacific Rim. Despite the Asian economic downturn at the end of 1997, global telecommunications demand remained stronger than ever.

1997 regional highlights:

Down Under: The Corporation obtained authorization to offer end-to-end voice services and Internet connections between Australia and North America, and introduced a unique, asymmetrical high-speed link combining satellite and cable facilities for the Australian carrier Telstra.

Online: Teleglobe and Singapore Telecommunications Ltd. (SingTel) jointly introduced a 45 megabit-per-second Internet backbone network between Singapore and North America. SingTel is the largest Internet service provider in the region and a major regional hub. Teleglobe also provides the majority of Internet connections in Thailand and New Zealand as well as to the Malaysian research and educational community.

In 1997, Teleglobe opened offices in Japan, the Philippines and Thailand. Establishing its Tokyo office was the Corporation's first step in obtaining licensing that will allow it to offer a full range of international telecommunications services in Japan. Early in 1998, an agreement with DDI Corp., the second-largest long-distance telecommunications provider in Japan, was announced. The Corporation was also granted a first license in March 1998 to provide voice telephony and Internet services on a resale basis. Teleglobe anticipates receiving a facilities-based license by mid-1998.

In Hong Kong, Teleglobe is already one of the largest providers of international call connectivity.

The Corporation plans aggressive expansion in the region, including office openings in China, Korea, Malaysia and Taiwan in 1998. As licenses become available in more countries in the region, Teleglobe will be there to serve its expanding customer base. And, in 1999, with the deployment of the China-US cable, Teleglobe will have an enhanced capability to address this growing market.

India and Pakistan, Africa and the Middle East, Central and Eastern Europe

These vast regions of opportunity, holding some 40% of the world's population, may represent the greatest potential for telecommunications growth. The advent of better and more economical ways to route traffic and the growth of the Internet will facilitate technological integration of these regions through advancements now enjoyed by others in the global community. In 1997, Teleglobe positioned itself as a trailblazer in this market.

Highlights:

India and Pakistan: Teleglobe is emerging as a partner of choice for both Internet and digital transit traffic. Late in 1997, an earth station was completed in Pakistan to expand transmission capabilities in the region.

Africa and the Middle East: In South Africa, the Corporation signed a multi-million dollar agreement for data connectivity via cable and satellite with a private data-Internet operator. This could lead to similar agreements as regulatory constraints are relaxed in other markets. Israel and Turkey are areas of great potential which Teleglobe intends to penetrate in the near future.

Central and Eastern Europe: Growth in the Internet around the world has been magnified in this area as it rushes to join more developed countries. *Globesystem Atlantic* offers Teleglobe a singular opportunity to provide high-quality bandwidth directly from North America to Central and Eastern Europe. In fact, Teleglobe emerged in 1997 as a leading provider of Internet connectivity to carriers and Internet service providers throughout the Czech Republic, Macedonia, Poland, Russia, Slovenia and Ukraine.

Regional coordination: Countries in these vast regions were consolidated into a single Teleglobe market this year. This will enable the Corporation to focus on many of their developing needs as they move towards improved telecommunications access, higher telephone penetration rates and greater service availability.

Because of their extensive telecommunications needs, these regions present unlimited opportunities which Teleglobe is eager to tap. While focused in 1997 on creating regional awareness of the Corporation and its services, Teleglobe also enjoyed excellent results. In 1998, field office expansion is planned in Central Europe, India, Russia and South Africa, with the commitment to be there first and to offer the best value to customers.

Teleglobe-led consortium wins a wireless cable license for Look TV™ to provide broadcast distribution services in Southern Ontario using a new digital technology.

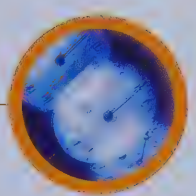
August

Teleglobe announces the consolidation of all its global telecommunications activities under the Global Telecommunications Services group, subsequently renamed Teleglobe Communications.

September

Our time
flies

Newly liberalized regimes in many areas of the world have not only created new market opportunities for Teleglobe but have also allowed it to broaden its customer base. ~ To keep pace with customer demand and respond to new market forces, such as the explosion of data traffic, the Corporation continues to diversify its service portfolio. ~ While not measured in minutes, services such as high-speed Internet access are generating ever increasing revenues. ~ The growth and prominence of Internet-driven technologies in the global telecommunications marketplace show no sign of abating. ~ New strategies, market segments and products to meet the growing demand for Internet services, combined with success in traditional telephony and other voice services, make Teleglobe's future look bright. ~ The Corporation's newest global customers and services, including Internet and broadcast offerings, contributed significantly to increasing total 1997 revenues.



While carriers continue to represent the majority of Teleglobe's customers and to generate ever increasing traffic, retail businesses and consumers are Teleglobe's fastest-growing market segments. As the Corporation expands both the geographic reach and the scope of its service offerings, its market segments include:

Carriers:

In this market, Teleglobe is building on its historic relationships with most of the world's carriers by offering, in addition to basic services, enhancements such as increased network connectivity and digital transit services. Teleglobe's customers include both well-established carriers, such as US Regional Bell Operating Companies (RBOCs) and the Stentor member companies in Canada, as well as fledgling carriers in newly deregulated or liberalized markets.

Strong growth in the United States resulted in Teleglobe increasing the number of carrier customers it serves to 95 at year's end. Teleglobe is one of the world's largest "carrier's carriers" for international service, with more than 275 such customers worldwide.

RBOC partnerships: In 1997, significant agreements were signed with three of the five US RBOCs—Ameritech, BellSouth and SBCS, the long-distance subsidiary of SBC—to provide global connectivity via Teleglobe's network so as to offer international calling capabilities to their customers. The agreements mark Teleglobe's first carrier partnerships outside Canada for international toll-free access and home country direct dialing. Ameritech, BellSouth and SBCS customers avail themselves of these services while retaining their affiliation with their long-distance carriers.

The Corporation's solid RBOC relationships offer Teleglobe access to a wider and more varied US market segment. The RBOCs also benefit in that they can provide their customers with international calling access from 60 countries to 240 countries and territories, literally at the flick of a switch.

A bridge to the future: Teleglobe's first national US consumer service, *TeleBridge*™, lets resellers quickly and easily offer international and domestic long-distance services under their own brand. This is done without requiring the resellers' customers to change their pre-subscribed long-distance provider.

Calling from anywhere: With its *GlobePCS – Borderless Roaming*™ personal communications services package, Teleglobe offers wireless carriers international roaming signaling capabilities with home-country billing at reasonable rates.

Internet service providers:

Introduced a little over a year ago, Teleglobe's *Globeinternet* service has already attracted more than 80 customers in 54 countries. *Globeinternet*, Teleglobe's Internet backbone and access service, provides the world's information highway builders and Internet users with a state-of-the-art link to all major Internet sites. By offering direct, high-capacity connectivity, Teleglobe allows Internet service providers to access resources throughout the world.

Teleglobe concludes sale of the non-core

Insurance Systems

Division to **CGI Group Inc.**

October

Teleglobe opens office in

Tokyo.

October

In the increasingly important Internet market, Teleglobe established key relationships with carriers, Internet service providers as well as research and educational networks by taking full advantage of its access to cable capacity and its INTELSAT signatory status.

Teleglobe quickly became a major player in the international Internet connectivity market by leveraging its worldwide transmission infrastructure. It also established a long-term growth plan to leverage satellite-based Internet access with an emphasis on value. Among Teleglobe's Internet innovations was the first asymmetrical high-speed link combining satellite and cable facilities. This connection, using one-way satellite facilities together with cable circuits between Australia and North America, provides greater transmission bandwidth in one direction than the other, more efficiently accommodating differing inbound and outbound Internet traffic volumes. The Corporation also won Internet business in Canada, the Caribbean, Eastern Europe, Italy, Malaysia, the Netherlands, New Zealand, the Nordic countries, Singapore, Southeast Asia, South and Central America, the United Kingdom and the United States.

In 1998, Teleglobe plans to expand customers' use of its services by supporting vital routing features, and grow this customer base by continuing to respond to Internet service providers' needs for global connectivity.

During the year, the Corporation will deploy more Internet backbone capacity, add customized features for its international Internet service provider and carrier clientele, grow its ATM interconnections and capabilities, continue to focus on value and competitive pricing, and leverage *Globeinternet* interconnections in each region. The Corporation is well-positioned to exploit global Internet growth and capitalize on Internet-driven technologies, in keeping with its overall worldwide expansion strategy and goals.

Businesses and consumers:

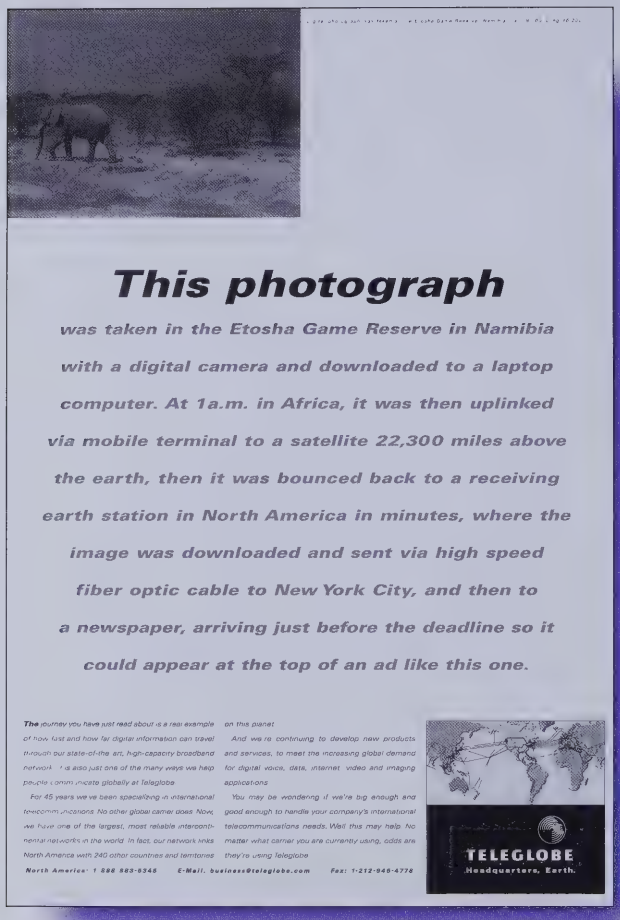
From geographic expansion to new services, 1997 was a watershed year for growth and achievement in Teleglobe's retail markets. The Corporation now offers an array of services to meet the needs of large multinational businesses and organizations with global communications requirements.

Signing of US business customers, such as Time Inc., New York University, and several major broadcasting networks.

October

Teleglobe opens Northern European headquarters in London.

November


This photograph
was taken in the Etosha Game Reserve in Namibia with a digital camera and downloaded to a laptop computer. At 1a.m. in Africa, it was then uplinked via mobile terminal to a satellite 22,300 miles above the earth, then it was bounced back to a receiving earth station in North America in minutes, where the image was downloaded and sent via high speed fiber optic cable to New York City, and then to a newspaper, arriving just before the deadline so it could appear at the top of an ad like this one.
The journey you have just read about is a real example of how fast and how far digital information can travel through our state-of-the art, high-capacity broadband network. It is also just one of the many ways we help people communicate globally at Teleglobe.
For 45 years we've been specializing in international telecommunications. No other global carrier does. Now, we have one of the largest, most reliable intercontinental networks in the world. In fact, our network links North America with 240 other countries and territories on this planet.
And we're continuing to develop new products and services, to meet the increasing global demand for digital voice, data, internet, video and imaging applications.
You may be wondering if we're big enough and good enough to handle your company's international telecommunications needs. Well this may help. No matter what carrier you are currently using, odds are they're using Teleglobe.
North America: 1 888 883-5345
E-Mail: business@teleglobe.com
Fax: 1-212-946-4776
TELEGLOBE
Headquarters, Earth.

One of Teleglobe's *Wall Street Journal* ads, linked to the launch of a campaign aimed at large businesses in the greater New York City area.

New business customers in 1997 represented a range of industries and needs, including retailer Donna Karan International, worldwide media firms such as Time Inc. and international money broker Tullett & Tokyo Forex, Inc. New York University depends on Teleglobe's innovative *GlobeISDN*™ application for distance learning, which uses videoconferencing to pair students in New York with counterparts overseas in a unique interactive learning setting. DualStar Technologies Corp., an infrastructure systems designer and builder, employs Teleglobe's international direct dialing services in its CyberBuildings.

Expanding its outreach to US business customers, Teleglobe now has offices in Los Angeles, New York City, and the Washington, D.C. area. In 1998, the Corporation will open offices in other major US cities, further expanding its multinational business market.

Entering the consumer services area, the Corporation developed a basic array of consumer services and back office support, part of an enhanced service portfolio supported on Teleglobe's network platforms. Teleglobe laid the groundwork in 1997 to globally expand direct-market consumer services in the coming year and beyond. This solid foundation will be further developed by increasing market intelligence efforts, broadening distribution, and moving into the direct marketing of services.

Teleglobe delivers a world first when NHK, a Japanese broadcasting company, uses *Millennium*™ service to broadcast the Asia-Pacific Economic Conference (APEC).

November

1997 highlights:

Global calling card: In 1997, Teleglobe introduced prepaid domestic and overseas calling card services. These cards, branded with either the Teleglobe name or the name of the issuing reseller, can be used from 60 countries. Service features include voice prompts in 15 languages and around-the-clock operator services in 30 languages.

Calling home: Overseas callers in the New York City area now have dial-around access to international long-distance services through Teleglobe. By dialing 10-10609 before their calls, they can access Teleglobe's network. The service marks the first time that Teleglobe has marketed directly to consumers. 10-10609 was launched to a target segment market of recent immigrants to the US, including members of the Chinese, Russian and Korean communities.

Expanding Teleglobe's business and consumer markets is key to the Corporation's goal of global telecommunications leadership. In 1998, the Corporation plans to build on its successful entry in these critical new direct markets.

Broadcast services:

A world first: Teleglobe raised the broadcast technology bar in 1997 by introducing the industry's first broadcast-quality commercial video transmission over Teleglobe's ATM network. This new service, *Millennium*™, has already gained customer interest and enthusiasm for its cutting-edge technology, based on MPEG-2 4:2:2 studio-quality compression. World-class customers including the Canadian Broadcasting Corporation (CBC), the American Broadcasting Corporation (ABC), CBS, Fox News Channel and Fuji-TV are already up and running on the service. Teleglobe deployed the first International Television Access Centers (ITACs) in London, Montréal, New York and Vancouver to allow broadcasters and television programmers to connect with the Corporation's vast digital broadcast network. The Japanese broadcasting company NHK was the first to avail itself of the service, at the Asia Pacific Economic Conference held in Vancouver in November 1997.

Launching into the future: In 1998, the Corporation will deploy additional ITACs in Los Angeles and Toronto, to serve the global transmission requirements of these important video production centers. Planned product enhancements will capture new revenue streams for both live and non-real-time video applications.

Dramatic traffic increase: Key world news, sports and entertainment events this year boosted broadcast traffic by 28%.

Value to customers: To accommodate the increasing demand for its global broadcast services, the Corporation upgraded, interconnected and added digital satellite earth stations. Coupled with new digital compression technology that saves broadcasters up to 50% over traditional offerings, Teleglobe's broadcast services are setting the platinum standard for the industry, with the promise of even greater success.

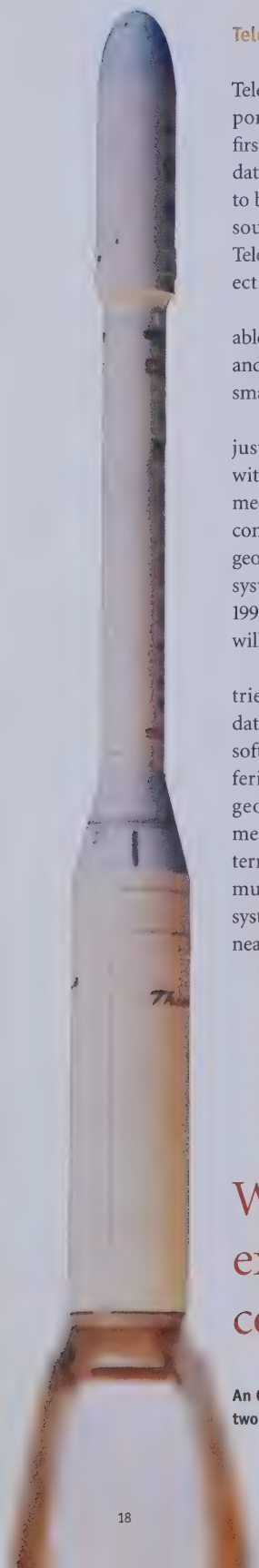
1997 was a year for integrating technology, formulating vision, taking risks, and connecting resources. Teleglobe's main goal is to be the unmatched leader in intercontinental broadcast transmission over both fiber-optic and satellite facilities.

Teleglobe and 13 other leading carriers announce they will build and operate the

China-US Cable Network,

the first undersea telecommunications cable to directly link China and the US.

December



Teleglobe World Mobility: *ORBCOMM*™

Teleglobe, in partnership with Orbital Sciences Corporation, is continuing its build-out of the world's first commercial low-Earth-orbit (LEO) satellite-based data communications system, *ORBCOMM*, expected to be fully deployed in 1999. In 1994, Technology Resources Industries Bhd. of Malaysia acquired from Teleglobe a 15% equity stake in the *ORBCOMM* project. Teleglobe retains a 35% interest in the project.

The system will be capable of providing reliable, near-real-time, low-cost, two-way data solutions and messaging services to a broad range of users with small, lightweight terminals anywhere on Earth.

Based on advanced digital satellites weighing just 45 kg each, the system is partially operational with 12 satellites launched. *ORBCOMM* is poised to meet the rapidly growing worldwide demand for data communication and messaging services without the geographic or technical limitations imposed by other systems. Sixteen satellites remain to be launched in 1998, and an additional 8 are planned for 1999, which will bring the total to 36.

To provide data solutions for particular industries or market segments, *ORBCOMM* will bundle data gathered by the system with related application software tailored to customers' needs. Its service offerings will allow users, including those who have geographically limited or otherwise inefficient methods of obtaining information using wireline or terrestrial-based wireless systems, to achieve maximum area coverage and cost efficiencies. With full system deployment, *ORBCOMM* expects to provide near-real-time worldwide communications coverage.

Agreements have been reached with six manufacturers, including Kyushu Matsushita Electric Company, Ltd. (Panasonic), Scientific-Atlanta, Inc. and Magellan Corporation, for the development and production of various types of subscriber units, including terminals that could be used to monitor fixed assets such as storage tanks, utility meters, etc.

Targeted users of fixed asset monitoring include a broad group of industries which operate in multiple and remote locations. Mobile asset tracking customers need monitoring of goods and services such as rail cars, trailers and containers. Messaging customers include consumers, commercial and government users who wish to send and receive messages from any location worldwide.

Within the United States, *ORBCOMM* actively markets its services to end users through third-party value-added resellers and its own value-added resellers. Outside the United States, *ORBCOMM* services are marketed through international licensees. To date, *ORBCOMM* has 13 such licensees to market its services in 97 countries.

Since December 1997, a total of ten satellites have been launched which are expected to expand *ORBCOMM*'s commercial services in the Spring of 1998. As the system becomes fully operational, necessary ground infrastructures are completed and regulatory approvals are obtained, *ORBCOMM* will capitalize both on its first-to-market advantage and its benefits and value to customers.

The commitment and expertise of strategic partners will help *ORBCOMM* leverage its technical advantages. Orbital Sciences, based in the United States, is developing all the required technology, building and launching *ORBCOMM*'s satellites and earth stations. Teleglobe's worldwide reputation and experience in global regulatory affairs, marketing and customer base development play a crucial role in achieving worldwide penetration of *ORBCOMM*'s state-of-the-art services.

With full system deployment, *ORBCOMM* expects to provide near-real-time worldwide communications coverage.

An Orbital Sciences *Taurus*® rocket launched two *ORBCOMM* satellites on February 10, 1998.

Teleglobe Media Enterprises

Teleglobe Media Enterprises (TME) was formed to explore opportunities in the new media sector. In 1997, its first full year of operation, TME initiated projects such as *Look TV*™ and *Jazz Media Network*™ that further its goal of supporting and partnering with the digital media industry's content providers, distributors and application developers. With its focus on innovative technologies and multimedia applications, TME is committed to implementing new platforms which will ensure a wider, more effective distribution of digital content.

Look TV: *Look TV*, a new broadcast distribution undertaking in which Teleglobe has majority ownership, was awarded a wireless cable license by the Canadian Radio-television and Telecommunications Commission for Southern Ontario in 1997. In addition, another Teleglobe-led partnership was granted a similar license for Eastern Ontario and Québec in early 1998. These licenses allow *Look TV* to operate digital Multipoint Distribution Systems (MDS) and offer a dynamic new alternative to cable and satellite television.

Look TV will offer consumers digital-quality sound, expanded channel capacity, customized programming and flexible pricing.

***Look TV's* Network Control Center**

***Jazz's* navigation icon**

Jazz Media Network: TME is a founding investor in *Jazz Media Network*, a company specializing in the development of collaborative, network-enabled production tools and services for the media production community. Jazz is spearheaded by a multidisciplinary team with application development experience and TME's own technical and network expertise. With headquarters in Montréal, this global broadband services company currently has operations and trial sites in Los Angeles, Montréal and Toronto.

TME's transition from a media lab to owner of digital media ventures demonstrates how the interests of content providers and application developers are increasingly converging with those of network operators. Other TME initiatives currently under way include new media learning and Internet Web site hosting services.

Open door policy
Expanding Market Opportunities

In 1997, the global trend towards more liberalized telecom markets accelerated in an unprecedented fashion. ≈ The World Trade Organization (WTO) agreement, struck in 1997, took effect in February 1998. ≈ Sixty-nine countries, representing 95% of the world's US$600 billion in domestic and international telecommunications revenues, signed the agreement – most committing to improved access by foreign companies to their telecommunications markets. ≈ The greatest immediate impact of this agreement was the full opening of telecommunications markets to foreign competitors by most European Union member nations. ≈ The liberalization movement also enjoyed significant advances in Asia-Pacific and Latin America, expanding the mosaic of foreign competitor opportunities in these regions. ≈ While many nations have yet to liberalize their international telecommunications markets, 1997 was a watershed year and Teleglobe is assured that its addressable global markets will continue to expand rapidly. ≈ In addition, the Internet is in the process of becoming a truly global phenomenon, creating exceptional opportunities to provide connectivity in every region of the world. ≈ The following is a closer look at market opportunities by region, with a graphical illustration of Teleglobe's global presence.

North America

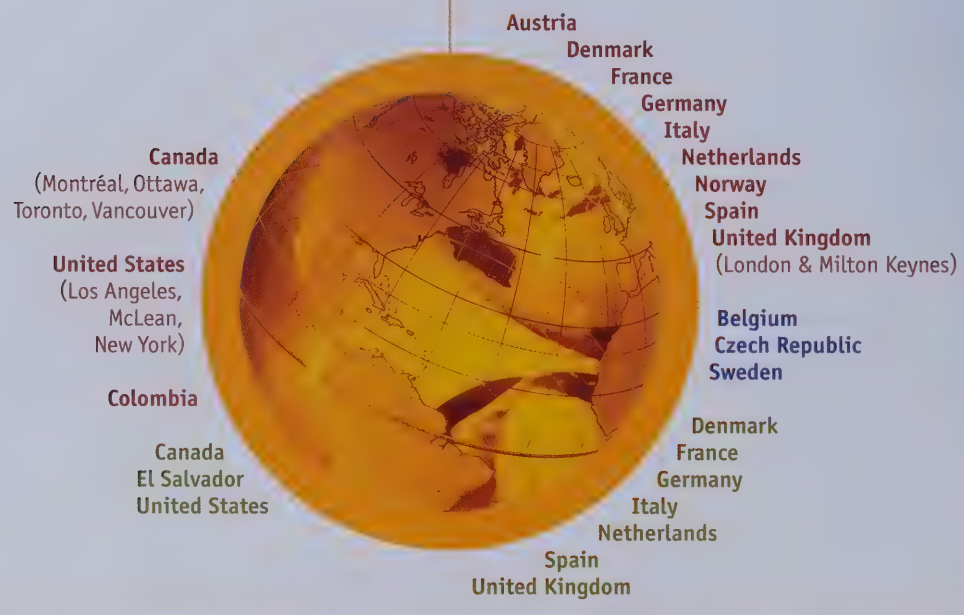
North America, long the liberalization leader, is the world's international telecommunications hub. Some 25 billion outbound minutes, one-third of all global international public switched traffic, originate from this region. As a North American-based carrier, Teleglobe is well positioned to compete in this region's market. While the WTO agreement will result in the further opening of the Canadian telecom market in 1998, Teleglobe intends to maintain its leadership as Canada's major overseas services provider. In 1997, the Corporation handled 1.1 billion minutes of Canadian outbound traffic. Growth in the US continues to be strong and this market was the source of 28% of Teleglobe traffic originating outside Canada in 1997. Despite its success to date, Teleglobe has only scratched the surface of this huge addressable market.

Latin America and the Caribbean

This region's economic promise, combined with recent efforts by several nations to liberalize their telecommunications markets, makes it a high potential market. The examples of Chile and Mexico, the region's liberalization leaders, are stimulating others to accelerate their efforts to open their telecommunications regimes. Colombia, El Salvador and Guatemala are the most recent countries to allow competition in international voice services. Others that have committed to liberalize their international services over the next few years include Argentina, Bolivia, Brazil, Peru and Venezuela. This region now generates some 5 billion minutes of outbound traffic annually and was the source of 9% of Teleglobe's traffic outside Canada in 1997. The Corporation has a license to operate in El Salvador and has opened an office in Colombia. Teleglobe also has established itself in this region as a leading provider of Internet connectivity services.

Western Europe

In Western Europe, the UK, Sweden, Denmark and Finland have been liberalization leaders. On January 1, 1998, Switzerland and most European Union nations followed this lead by opening their telecommunications markets to competitors. With the prospect of both Western Europe and North America opening up to competition, 1997 witnessed an explosion of new transatlantic opportunities for Teleglobe. Western European countries, which collectively generate nearly 30 billion minutes of outbound international traffic,



are prime markets for Teleglobe. In anticipation of this sweeping European liberalization, Teleglobe established a significant switching facility in London in 1996. Building on this initiative, Teleglobe opened eight Western European offices and obtained licenses in six countries in addition to its UK license. In 1997, 20% of the Corporation's global traffic outside Canada was derived from this region.

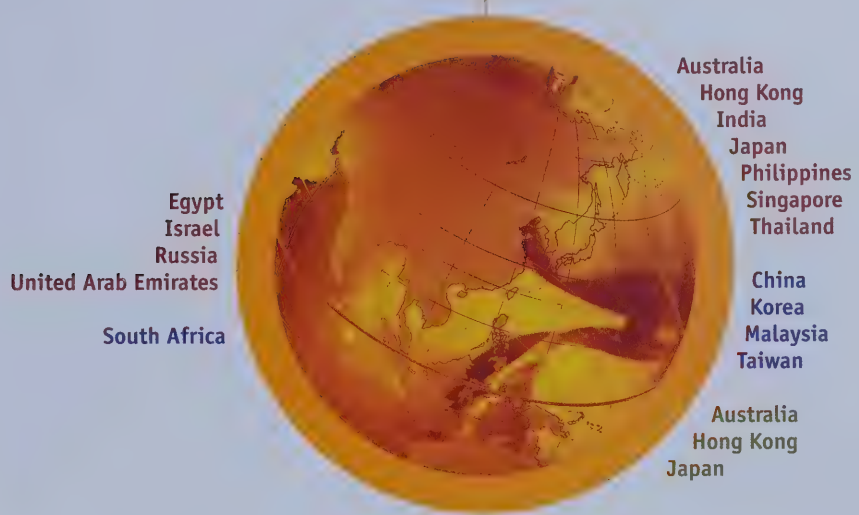
India and Pakistan, Africa and the Middle East, Central and Eastern Europe

These vast regions, which represent some 40% of the world's population, generate just over 10% of the world's international voice traffic. With a few exceptions, telecommunications markets in these regions remain relatively closed to foreign competition. Nonetheless, there are important and growing opportunities to offer services to nations that can develop their international telecommunications capabilities. With offices in key countries, Teleglobe plans to continue expanding its presence in these regions, and has become the leading provider of Internet connectivity throughout Eastern Europe. In 1997, Teleglobe generated 20% of its traffic outside Canada from these regions.

Asia-Pacific

Telecommunications services in Asia-Pacific nations have not been uniformly liberalized. Australia, New Zealand, Japan and the Philippines have led in the adoption of progressive policies and they allow significant international telecommunications service competition. Korea, Indonesia and Malaysia also allow some competition. The 1997 WTO agreement resulted in additional liberalization commitments being made by some countries in this region. This liberalization initiative had a major impact on the Japanese market and was one of the factors that led to Teleglobe's agreement with Japan's second largest long-distance carrier, DDI Corp. The indirect influence of the WTO agreement was demonstrated when Hong Kong took unilateral action to end Hong Kong Telecom's exclusive international voice services license, years in advance of its original target. Furthermore, China's desire to become a WTO member bodes well for accelerating telecommunications reform in this huge market. Asia-Pacific generates more than 10 billion minutes of outbound international traffic annually. Teleglobe is well positioned to take advantage of both existing and emerging opportunities. In 1997, 23% of Teleglobe's global traffic outside Canada was attributed to this region.

Source of statistics: International Telecommunication Union, *World Telecommunications Development Report 1996/7,* March 1997; *TeleGeography* 97-98.



Management's discussion and analysis

This section comprises management's analysis of the Corporation's financial situation and results for the fiscal years ended December 31, 1997, 1996, and 1995. The analysis deals mainly with the Corporation's consolidated results, results pertaining specifically to its Canadian and international operations, as well as corporate strategies.

The Corporation carried out a major restructuring of its activities in 1997, bringing together its Canadian telephone operations (Telephony – Canada), international telephone operations (Telephony – International), as well as transmission and data services under the management of the Global Telecommunications Services group subsequently renamed Teleglobe Communications Corporation. This reorganization had an impact on the way in which results are presented.

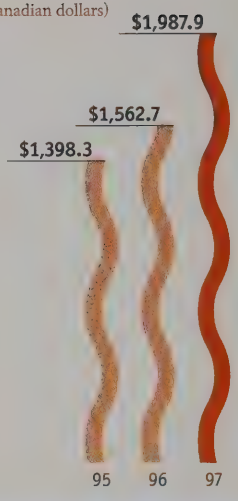
Moreover, the Corporation sold its Insurance Systems Division to CGI Group Inc. (CGI) on October 22, 1997 (see Note 8). The Division's results are therefore presented separately in consolidated income under "Income from discontinued operations."

Comparative data have been adjusted to reflect the above-mentioned changes.

Profitability

By consolidating network and marketing activities under Teleglobe Communications, the Corporation expects to improve its management structure, gain added flexibility for meeting the global connectivity needs of its diversified customer base, and ensure greater organizational cohesiveness for dealing with the competition in a rapidly changing marketplace.

Revenues
(in millions of Canadian dollars)



Total revenues, before subtracting the cost of revenues incurred by Teleglobe Communications, increased by $425.2 million (27.2%) to $1,987.9 million in 1997 from $1,562.7 million in 1996. The 1996 revenue figure was 11.8% higher than the amount recorded in 1995 ($1,398.3 million). Revenue growth during the past year was mainly due to a 37.7% rise in traffic volume, particularly from sources outside Canada. Indeed, non-Canadian traffic grew by 112.9%, which translated into an increase of $377.1 million over 1996. Canadian traffic was up 16.6% to 1.8 billion minutes in 1997 from 1.6 billion the previous year.

The Corporation posted a consolidated gross margin of $718.2 million in 1997 compared with $606.0 million in 1996 and $566.9 million in 1995. In 1997, Teleglobe Communications accounted for more than 96% of gross margin compared with 92% in 1996 and 87% in 1995. Gross margin is calculated by subtracting the cost of revenues from total revenues. As for the gross margin to revenues ratio, it declined slightly to 35.2% in 1997 from 36.9% in 1996 (37.1% in 1995). This decrease, which reflects intensified competition in the Corporation's markets, was offset by the increase in traffic volume recorded by Teleglobe Communications.

Operating expenses

Total operating expenses, including depreciation and amortization, reached $436.4 million in 1997 against $392.0 million in 1996 and $409.7 million in 1995. The 11.3% increase from 1996 to 1997 was mainly attributable to international business development activities, particularly in the US, the UK, Germany and France. However, the ratio of operating expenses (including depreciation and amortization) to revenues has been decreasing steadily (from 29.3% in 1995 to 25.1% in 1996 to 22.0% in 1997).

Unusual items (Note 5)

In 1997, the Corporation recorded write-downs totaling $139.3 million. It adjusted the book value of the capacity held in the *Globesystem Atlantic*™ cable system for resale purposes, in order to reflect its fair value, and also wrote off the development costs incurred in connection with the *Odyssey*™ project following its partner's decision not to pursue the venture. These charges were offset by a gain of $121.6 million realized on the sale of the CGI shares which the Corporation had acquired earlier in the year in consideration for the sale of its Insurance Systems Division to CGI. A gain of $18.4 million was realized from the disposal of this unit and is presented under Income from discontinued operations (see Note 8).

Financial charges

Financial charges increased by $1.0 million to $35.4 million in 1997 from $34.4 million in 1996 and amounted to $38.2 million in 1995. Foreign currency losses incurred in 1997 were almost completely offset by a reduction in interest expenses relating to the Corporation's long-term debt, which resulted mainly from the conversion of second series preferred shares into common shares during the second quarter of 1997.

Income from operations before unusual items rose 31.7% to $281.8 million in 1997 from $214.0 million in 1996, which in turn represented a 36.1% increase over 1995 ($157.2 million). The improvement from 1996 to 1997 was the result of two main factors: growth in revenues and in corresponding gross margin, combined with productivity gains and greater network efficiency.

Income taxes

Income taxes totaled $110.3 million in 1997 against $72.0 million in 1996 and $56.5 million in 1995. The $38.3 million increase from 1996 to 1997 resulted from the earnings growth of Teleglobe Canada Inc. (TCI), the only significant taxable entity. The effective tax rate was 48.2% in 1997 compared with 40.1% in 1996 and 46.1% in 1995. The higher rate in 1997 compared with 1996 was due to the fact that no tax benefit was claimed in connection with losses incurred by the Corporation's new business units and that only part of the allowable tax benefit was recorded in connection with the unusual items referred to above (see also Note 7).

Discontinued operations

The Corporation recorded income from discontinued operations of $22.1 million. Of this amount, $3.7 million corresponded to net income earned during the first six months of 1997, i.e., prior to the measurement date relating to the disposal, while the remaining $18.4 million represented a gain realized from the disposal of these operations (Note 8).

Net income

Net income rose 25% to $140.5 million ($2.04 per share fully diluted) in 1997 from $112.5 million ($1.68 per share fully diluted) in 1996. By comparison, net income was $89.4 million ($1.31 per share fully diluted) in 1995.

Growth

New markets, new services and new customer needs

The environment in which Teleglobe Communications operates is undergoing rapid change from the standpoint of technology, regulatory and business constraints, and customer requirements. The Corporation is thus constantly seeking to penetrate markets that are opening up to competition, introducing new services and targeting new groups of customers.

Moreover, to enhance its competitive position, the Corporation is taking various steps aimed at preserving its margins, such as expanding into different markets around the world.

Changes in the breakdown of total traffic minutes over the past three years show the markets in which the Corporation has concentrated its growth efforts.

Telephony – Canada

Revenues totaled $1,078.4 million in 1997, up 1.4% over the 1996 figure of $1,063.6 million. Rate reductions granted to other carriers during the year were offset by a 16.6% increase in combined inbound and outbound traffic, which reached 1,848.9 million minutes in 1997. The gross margin on Canadian telephone operations rose slightly in 1997 compared with 1996.

In February 1998, TCI and the members of the Stentor alliance reached agreement on the principal terms of new arrangements for the continuing supply of services between the parties. The agreed-upon terms include commitments by Stentor for the routing of certain proportions of Stentor's outbound international traffic over the Corporation's switched network for the years 1998 through 2000. These commitments are subject to TCI providing Stentor with competitive pricing conditions.

As part of the arrangement, the parties negotiated terms for the termination by Stentor in Canada of certain proportions of TCI's inbound international traffic for the years 1998 to 2000, subject to minimum price reductions by Stentor in 1998 and other competitive pricing conditions.

The parties also renegotiated the terms of Stentor's supply to TCI of leased Canadian fiber ring facilities, for a seven-year period ending in 2005. The parties also agreed to a five-year commitment, ending in 2002, for the marketing of the *Canada Direct*™ service.

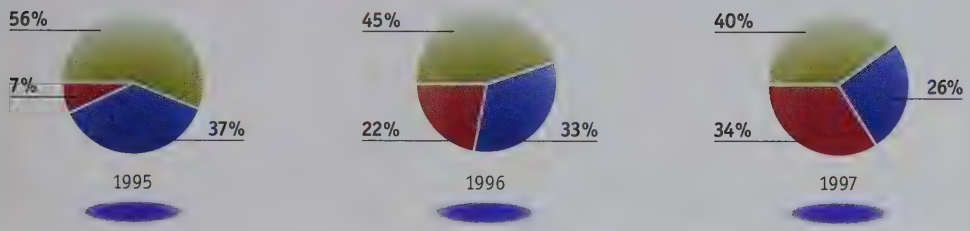
Comparison between 1996 and 1995

Revenues were $1,063.6 million in 1996, down 4.2% from $1,110.3 million in 1995. A 5.6% increase in traffic during 1996 was not sufficient to offset rate reductions during the year. However, the Corporation was able to exercise effective control over its costs, thereby keeping the percentage of gross margin to revenues at a comparable level to that of 1995.

Telephony – International

International telephone operations generated revenues of $776.3 million in 1997 compared with $399.2 million in 1996, an improvement of 94.5%. Increased switched traffic volume contributed directly to this growth, which was made possible by the Corporation's efforts to penetrate new geographic markets and expand its customer base. Traffic volume rose by 504.6 million minutes (112.9%) over 1996 levels to reach 951.5 million minutes in 1997.

Teleglobe Communications – Traffic



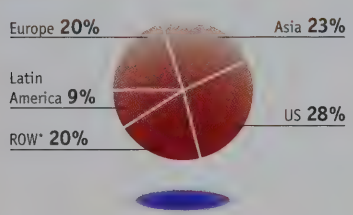
(Millions of minutes)	Canadian Outbound	Inbound	Global	Total
1997	1,112.4	736.5	951.5	2,800.4
1996	914.6	671.3	446.9	2,032.8
1995	897.9	603.4	112.5	1,613.8

The Corporation's strategy of diversifying its traffic sources proved very effective in 1997, as higher margins obtained in some regions offset lower margins on traffic originating in the US and the UK, where the competition is much more intense. This is why the Corporation continues to open offices in major cities around the world and to file applications for operating licenses. In this way, the Corporation's objective is to reduce the cost of its revenues and to maintain its margins.

Comparison between 1996 and 1995

Revenues from international telephone operations rose 131.3% to $399.2 million in 1996 from $172.6 million in 1995. This growth resulted from a fourfold increase in traffic and from the fact that the traffic mix enabled the Corporation to improve its gross margin percentage compared with 1995.

International traffic mix in 1997



*Rest of world includes India and Pakistan, Africa and the Middle East, Central and Eastern Europe.

Transmission and Data Services

These services grew substantially in 1997, with revenues increasing 103.1% to $106.0 million from $52.2 million the previous year ($39.9 million in 1995). By the end of 1997, the Corporation was providing Internet access to more than 80 customers in 54 countries through its *Globeinternet*™ service. The accelerated growth of this new offering, combined with the launch of new business services in 1997, increased circuit rentals and a broader customer base for transmission services, contributed to the doubling of revenues.

Teleglobe Enterprises

The results posted by this unit reflect the activities of Teleglobe Marine Inc. (TMI) and Teleglobe Media Enterprises (TME). TMI, which operates five cable ships under partnership agreements with Tyco International Ltd., accounted for all of the unit's revenues. These reached $27.2 million in 1997 against $28.7 million in 1996, a decline of $1.5 million (5.2%).

Operating expenses decreased from $9.7 million in 1996 to $8.3 million in 1997 as a result of the capitalization of TME project development costs and a reduction in depreciation expense relating to TMI.

Income from operations for 1997 was $18.9 million compared with $19.0 million in 1996.

Comparison between 1996 and 1995

Teleglobe Enterprises posted revenues of $28.7 million in 1996 compared with $50.3 million in 1995. This reflected the sale of the C.S. *John Cabot* in April 1996 and the vessel's inactivity in the first quarter, whereas it was active throughout 1995 on major contracts. Operating expenses were down $20.4 million for the same reasons. Income from operations declined to $19.0 million from $20.2 million in 1995.

Teleglobe World Mobility (TWM)

This unit encompasses the Corporation's investment in the *ORBCOMM*™ project as well as the activities carried out by US-based IDB Mobile Communications, Inc. (IDB Mobile) until October 1996, when it was sold to Stratos Wireless Inc. (formerly NewEast Wireless Technologies Inc.). Since all costs relating to *ORBCOMM* have been capitalized, no results were reported for the project in 1997.

Comparison between 1996 and 1995

TWM revenues amounted to $19.0 million in 1996 compared with $25.2 million in 1995. The decrease was attributable to the fact that IDB Mobile results covered only ten months of operation versus a full year in 1995, as well as to lower selling prices and traffic volume for IDB Mobile, combined with changes in its traffic mix.

Income from operations before unusual items was $0.8 million in 1996 against a loss of $6.2 million in 1995.

Strategies

New markets

The Corporation's overall strategy revolves around three objectives. Its primary goal is to expand its customer base in key geographic markets and to broaden its service portfolio by extending the reach of its international network and leveraging its business relationships with other carriers. To this end, the Corporation has obtained and will continue to seek licenses and other operating authorities in various countries while quickly adding to its points of presence around the world.

The Corporation has also made commitments ($138.7 million) in regard to several construction projects, including the planned cable system between China and the US, which is scheduled to go into service in 1999. Partly in anticipation of the cable's deployment, the Corporation will open new offices in China. The additional capacity provided by the China-US system will enable the Corporation to pursue new opportunities in the Asia-Pacific market.

The Corporation's second objective is to continue efforts aimed at reducing its unit costs. Increased traffic volume, better routing and improved circuit utilization rates, due mainly to new service launches in 1996 and 1997, are making a significant contribution in this regard. Another key factor is the Corporation's ability to better manage its operating costs and investments because it already operates a vast network which can be engineered and expanded as required to meet demand.

Finally, the Corporation makes strategic investments in complementary sectors through its TWM and TME units.

TWM oversees the Corporation's involvement in the *ORBCOMM* project. This commercial satellite system, which should be fully operational in the second half of 1999, will provide messaging and data services designed to meet the growing needs of a diverse clientele.

TME's mandate is to explore market opportunities in the new media sector, particularly with respect to innovative technologies and multimedia applications. Because of its rapid transition from media lab to owner of digital media ventures, TME is expected to contribute to the Corporation's revenues in the medium term.

Market evolution and risk management

Financial or economic risk factors

Because the Corporation operates on a global scale, it is exposed to market risks associated with exchange rate fluctuations. It is also exposed to interest rate and credit risks. These factors are all taken into account in the Corporation's management policies (see Note 21).

Risk factors relating to telecommunications

In keeping with the Canadian government's decision to terminate TCI's exclusive mandate on October 1, 1998, liberalization of the Canadian overseas telecommunications market is scheduled to proceed in accordance with conditions to be determined by the Canadian Radio-television and Telecommunications Commission (CRTC).

Traditionally, a significant portion of the Corporation's income has been derived from outbound traffic revenues generated by its Canadian telecommunications activities. However, this proportion is in decline. Indeed, while outbound Canadian traffic accounted for 45.0% of total volume in 1996 (55.6% in 1995), this percentage dropped to 39.7% in 1997. Likewise, revenues generated by such traffic declined from 44.2% of total revenues in 1996 to 38.2% in 1997.

To reduce the level of risk associated with the liberalization of the Canadian market, the Corporation has enhanced its portfolio of services in Canada. It also intends to take advantage of opportunities created by liberalization, all the while maintaining the quality and reliability of its network.

The telecommunications industry is undergoing rapid change under the impetus of technological advances, globalization and free trade. These developments have led to the emergence of new international carriers, new infrastructure and new services, resulting in more competition for the Corporation. To reduce the risks associated with increased competition, the Corporation will continue to leverage and expand its network in the belief that this will lower its cost of revenues, offer greater value and maintain its profitability.

Despite TCI's exclusive mandate, some carriers in Canada have been bypassing the Corporation's network and engaging in switched hubbing, or third-country routing. This practice was prohibited by the CRTC until December 19, 1997. In February 1998, TCI petitioned the Governor General in Council to have the federal cabinet review the CRTC decision, and the outcome will likely have an impact on TCI's conditions of operation (Note 1).

Year 2000 transition

The impact of the year 2000 on computer systems will be felt largely by equipment vendors with whom the Corporation deals. The Corporation has made certain that its suppliers have taken appropriate action so that the transition will not have any significant impact on its business activities, internal operations or financial situation. Suppliers are assuming all costs associated with the required modifications to their hardware and operating systems. For its part, the Corporation has formed a team of specialists whose mandate is to ensure a smooth transition for the organization's in-house systems. This team has already drawn up and implemented a strategy aimed at using the year 2000 bug as a catalyst to reposition and rapidly enhance its present Information Technology infrastructure. Most of the applications will be migrated to a new environment tailored to support Teleglobe's rapid global expansion. This migration and conversion will be completed by year-end 1998.

Liquidity and capital resources

The Corporation's approach to financing is based on prudence and long-term vision. This is demonstrated by the fact that its debt-to-equity ratio remains relatively low (55.2% in 1997). The Corporation's approach will ensure that it continues to have access to financing for future projects.

Cash from operations before changes in non-cash operating balances reached $281.1 million in 1997 against $270.8 million in 1996 and $243.7 million in 1995. Net changes in non-cash operating balances increased cash by $48.7 million in 1997 compared with decreases of $58.5 million in 1996 and $1.7 million in 1995. In 1997, the variance was due to improved management of Teleglobe Communications' working capital and to the sale of cable capacity during the year.

The Corporation's working capital amounted to $325.0 million as at December 31, 1997 (including $246.6 million to be received further to the sale of the CGI shares), compared with $322.0 million a year earlier. Excluding the $246.6 million receivable, the decrease in working capital was attributable to write-downs at year's end in connection with cable capacity and the *Odyssey* project, as well as to the decrease in *ORBCOMM* cash and short-term deposits and to improved management of the Corporation's short-term assets.

Capital expenditures totaled $222.7 million in 1997 compared with $126.9 million in 1996 and $156.5 million in 1995. Teleglobe Communications incurred the major portion of capital expenditures in 1997 ($150.6 million versus $78.1 million in 1996 and $135.6 million in 1995), primarily due to its global expansion efforts. *ORBCOMM* project investments accounted for the remainder of these costs ($71.9 million compared with $47.0 million in 1996 and $20.3 million in 1995).

Cash applied to financing activities totaled $126.6 million, almost all of which was used to repay long-term debt. This compares with cash provided by financing activities of $95.8 million in 1996 and $44.7 million in 1995. During the second quarter of 1997, all outstanding second series preferred shares were either redeemed or converted into common shares.

The Corporation delisted its shares from the Vancouver Stock Exchange. In February 1998, it also launched a new program to buy back its common shares on the Montreal and Toronto stock exchanges.

Dividend payments amounted to $43.0 million in 1997 compared with $33.5 million in 1996 and $29.4 million in 1995. The higher 1997 figure was due to an increase in quarterly dividends from $0.12 to $0.15 effective in the second quarter and to the rise in the number of outstanding common shares, which in turn reflected the impact of converting second series preferred shares during the year. The rise in 1996 stemmed from an increase in quarterly dividends from $0.10 to $0.12 effective in the second quarter.

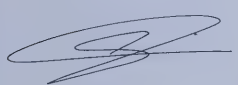
Management's Report

The management of the Corporation is responsible for the preparation and integrity of the financial statements and all other financial information contained in the Annual Report. These statements have been prepared in accordance with accounting principles generally accepted in Canada and necessarily include some amounts that are based on management's best estimates and judgment. Management considers that the statements present fairly the financial position of the Corporation, the results of its operations and the changes in its financial position. Financial information contained elsewhere in this Annual Report is consistent with the information contained in the financial statements.

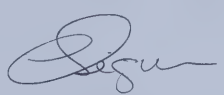
To fulfill its responsibility, management developed and maintains systems of internal accounting controls and establishes policies and procedures designed to ensure the reliability of financial information and to safeguard assets. The internal control systems and financial records are subject to reviews by internal auditors and by the external auditors during the examination of the financial statements.

The Board of Directors oversees management's performance of its financial reporting and internal control responsibilities. The Board of Directors carries out its responsibility with regard to the consolidated financial statements primarily through its Audit Committee.

The Audit Committee, which is composed exclusively of outside directors, meets regularly with the internal and external auditors, and with management, to discuss accounting policies and practices, internal control systems, the scope of audit work and to assess reports on audit work performed. The external and internal auditors have direct access to the Audit Committee, with or without the presence of management, to discuss results of their audits and any recommendations they have for improvements in internal controls, the quality of financial reporting and any other matters of interest. The financial statements have been reviewed and approved by the Board of Directors on the recommendation of the Audit Committee.



Charles Sirois
Chairman of the Board and
Chief Executive Officer



Claude Séguin
Executive Vice-President, Finance and
Chief Financial Officer

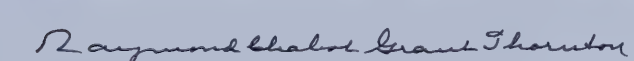
February 8, 1998

Auditors' Report to the Shareholders of Teleglobe Inc.

We have audited the consolidated balance sheets of Teleglobe Inc. as at December 31, 1997 and 1996 and the consolidated statements of income, retained earnings and changes in financial position for each of the years in the three-year period ended December 31, 1997. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1997 and 1996 and the results of its operations and the changes in its financial position for each of the years in the three-year period ended December 31, 1997 in accordance with generally accepted accounting principles in Canada.



General Partnership
Chartered Accountants
Montréal, Québec
February 8, 1998

Consolidated Income

For the years ended December 31

(in millions of Canadian dollars)	1997	1996	1995
Revenues (Note 3)	$1,987.9	$1,562.7	$1,398.3
Cost of revenues	1,269.7	956.7	831.4
Gross margin	718.2	606.0	566.9
Operating expenses	436.4	392.0	409.7
Income from operations before unusual items	281.8	214.0	157.2
Unusual items (Note 5)	17.7	–	(3.6)
Income from operations	264.1	214.0	160.8
Financial charges (Note 6)	35.4	34.4	38.2
Income from continuing operations before income taxes	228.7	179.6	122.6
Income taxes (Note 7)	110.3	72.0	56.5
Income from continuing operations	118.4	107.6	66.1
Income from discontinued operations (Note 8)	22.1	4.9	23.3
Net income	140.5	112.5	89.4
Preferred dividends	6.8	6.8	6.8
Net income to common shareholders	$ 133.7	$ 105.7	$ 82.6
Earnings per share – (Note 16)			

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Retained Earnings

For the years ended December 31

(in millions of Canadian dollars)	1997	1996	1995
Retained earnings, beginning of year	$ 245.4	$ 182.5	$ 122.9
Net income	140.5	112.5	89.4
	385.9	295.0	212.3
Dividends	43.0	33.5	29.5
Excess of redeemable price of common shares over the stated value	1.4	15.8	–
Taxes related to dividends on preferred shares	0.3	0.3	0.3
	44.7	49.6	29.8
Retained earnings, end of year	$ 341.2	$ 245.4	$ 182.5

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Balance Sheet

As at December 31 (in millions of Canadian dollars)	1997	1996
Assets		
Current		
Cash and short-term deposits	$ 95.8	$ 160.2
Accounts receivable (Note 9)	895.7	437.3
Inventories (Note 10)	12.4	224.6
Prepaid expenses and other	51.4	35.1
	1,055.3	857.2
Investments (Note 11)	19.2	53.9
Property, plant and equipment (Note 12)	1,267.0	1,107.6
Goodwill	90.0	141.6
Deferred charges and other (Note 13)	152.5	150.1
	$2,584.0	$2,310.4
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 687.8	$ 423.0
Income taxes payable	31.0	27.8
Dividend payable	1.7	3.2
Current portion of long-term debt (Note 14)	9.8	81.2
	730.3	535.2
Long-term debt (Note 14)	605.5	717.3
Deferred credits (Note 15)	94.1	79.1
Non-controlling interest	39.6	39.6
	$1,469.5	$1,371.2
Shareholders' equity		
Capital stock (Note 16)		
Preferred shares	$ 143.0	$ 147.5
Common shares	616.7	540.8
	759.7	688.3
Retained earnings	341.2	245.4
Cumulative translation adjustment	13.6	5.5
	1,114.5	939.2
	$2,584.0	$2,310.4

The accompanying notes are an integral part of the consolidated financial statements.

On behalf of the Board,

Director

Director

Consolidated Changes in Financial Position

For the years ended December 31 (in millions of Canadian dollars)	1997	1996	1995
Operating activities:			
Income from continuing operations	**$118.4**	$107.6	$ 66.0
Non-cash items:			
Depreciation of property, plant and equipment	**108.1**	132.1	137.0
Amortization and write-down of assets	**163.7**	32.6	46.7
Gain on disposal of investments	**(121.6)**	–	–
Deferred credits and other	**11.1**	(2.9)	5.0
Equity in losses of companies subject to significant influence	**1.4**	1.4	–
Gain on dilution	**–**	–	(19.8)
Allowance for funds used during construction	**–**	–	(3.1)
Rate stabilization account	**–**	–	11.9
	281.1	270.8	243.7
Changes in non-cash operating balances (Note 19)	**48.7**	(58.5)	(1.7)
Cash provided by operating activities	**329.8**	212.3	242.0
Investing activities:			
Acquisition of property, plant and equipment	**(222.7)**	(126.9)	(156.5)
Proceeds on disposal of property, plant and equipment	**17.2**	29.9	31.2
Net variation in investments	**25.2**	(44.7)	(9.2)
Other assets	**(44.2)**	(60.4)	(59.1)
Proceeds from sale of businesses	**20.0**	7.4	–
Cash applied to investing activities	**(204.5)**	(194.7)	(193.6)
Financing activities:			
Issue of common shares, net of issue costs	**76.3**	2.8	1.5
Repurchase of common shares	**(1.7)**	(21.1)	–
Conversion of second series preferred shares	**(74.6)**	–	–
Issue of long-term debt	**65.6**	245.9	97.9
Repayment of long-term debt	**(191.9)**	(131.5)	(78.1)
Non-controlling interest	**–**	–	23.7
Other	**(0.3)**	(0.3)	(0.3)
Cash provided by (applied to) financing activities	**(126.6)**	95.8	44.7
Dividends	**(43.0)**	(33.5)	(29.4)
Cash provided by (applied to) continuing operations	**(44.3)**	79.9	63.7
Cash provided by (applied to) discontinued operations	**(20.1)**	(1.0)	3.1
Increase (decrease) in cash during the year	**(64.4)**	78.9	66.8
Cash, beginning of year	**160.2**	81.3	14.5
Cash, end of year	**$ 95.8**	$160.2	$ 81.3

Cash represents cash and short-term deposits.

The accompanying notes are an integral part of the consolidated financial statements.

December 31, 1997
(in millions of Canadian dollars except per share amounts)

1. Statutes, nature of operations and regulatory regime

Statutes and nature of operations

Teleglobe Inc. (the Corporation) is incorporated under the *Canada Business Corporations Act*. The Corporation carries on the business of providing international telecommunications services.

The majority of revenues are earned from international services, mainly telephone, provided through the telecommunications network of Teleglobe Canada Inc. (TCI); they consist of charges to domestic carriers for the routing of traffic to foreign countries, and settlements from foreign carriers for the routing of traffic to Canada. Also included are other service revenues, derived primarily from global overseas services to foreign carriers, circuits leased to private users as well as broadcast and mobile services. The Corporation pays terminating charges (hereafter referred to as "cost of revenues") to both domestic and foreign carriers to compensate them for their part in the collection and distribution of telecommunications traffic in Canada and outside Canada, respectively.

TCI is the sole authorized provider of facilities-based telecommunications services between Canada and foreign countries, excluding the United States. In 1992, TCI's exclusive mandate, which it had obtained in 1987, was extended until 1997. In 1995, the Government of Canada initiated a public consultation process as part of a review of TCI's exclusive mandate to provide facilities-based services between Canada and overseas countries. As a result of this consultation process and Canada's commitment under the World Trade Organization agreement on basic telecommunications (WTO Agreement) of February 1997, it was determined that TCI's mandate would expire on October 1, 1998.

In 1993, TCI and Stentor (a cooperative association of Canadian domestic carriers) signed an interconnection agreement for a term of 10 years, subject to earlier termination. Under the agreement, the member telecommunications companies committed to routing all of their traffic to foreign countries, excluding the United States, over TCI's network. Approval of the agreement with Stentor by the Canadian Radio-television and Telecommunications Commission (CRTC) was to be valid for a period of one year following the end of TCI's exclusive mandate on October 1, 1998. In 1997, the parties initiated discussions to establish a new commercial relationship.

In February 1998, TCI, Stentor Resource Center Inc. and the members of the Stentor alliance announced that they had reached agreement on the principal terms of new arrangements for the continuing supply of services between the parties. The new arrangements will replace or modify previously existing agreements.

The agreed-upon terms include commitments by Stentor for the routing of certain proportions of Stentor's international traffic over TCI's switched network for the years 1998 through 2000.

As part of the new arrangement, the parties negotiated terms for the termination by Stentor in Canada of certain proportions of TCI's incoming international traffic for the years 1998 to 2000, subject to minimum price reductions by Stentor in 1998 and other competitive pricing conditions.

The parties also agreed to enter into a new agreement with respect to the *Canada Direct*™ trademark and service and to modify the terms of Stentor's supply to TCI of leased Canadian fiber ring facilities which form part of TCI's network.

Regulatory regime

TCI is subject to regulation by the CRTC.

TCI is regulated pursuant to Telecom Decision CRTC 96-2 under a form of price regulation which includes a price reduction commitment regime for telephone services and a price ceiling for non-telephone services for the period terminating on December 31, 1999, barring exceptional changes to TCI's operating environment. This regulatory framework also provides for tariff filings, approval procedures and financial monitoring. Prior to April 1, 1996, TCI was subject to rate-base/rate-of-return regulation.

On May 5, 1997, the CRTC issued Telecom Decision CRTC 97-10 in which it maintained restrictions prohibiting third-country routing using TCI's international private lines. However, on December 19, 1997, the CRTC modified its decision by removing these restrictions, thus allowing all Canadian international service providers to engage in switched hubbing. In a petition sent to the Governor General in Council in February 1998, TCI requested a review of this decision by the federal cabinet.

1. Statutes, nature of operations and regulatory regime (continued)

On October 2, 1997, the CRTC issued Telecom Public Notice CRTC 97-34 in which the Commission requested proposals and comments on the regulatory regime (including the introduction of licensing requirements) that should apply to the provision of international telecommunications services, effective October 1st, 1998, when TCI's exclusive mandate terminates. This proceeding specifically includes a review of routing restrictions and of the regulation applicable to TCI.

The regulatory proceedings related to the October 2, 1997 Public Notice and the December 19, 1997 Decision are likely to impact TCI's operating environment.

2. Significant accounting policies

Financial statement presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. They include the accounts of the Corporation and its subsidiaries. All significant intercompany transactions and balances have been eliminated on consolidation.

TCI, the Corporation's regulated telecommunications subsidiary, is the designated Canadian signatory to the International Telecommunications Satellite Organization (INTELSAT) and the International Maritime Satellite Organization (INMARSAT) operating agreements. Periodically, TCI's ownership in these organizations is adjusted to conform to its proportional use of the systems or such other level as it may elect, according to the terms of the respective operating agreements. TCI's share in these foreign joint ventures is accounted for on a proportionate consolidation basis.

TCI holds a 30.0% interest in an office building as well as a 33.3% interest in a joint venture which provides INMARSAT B & M global services. TCI's joint venture interests are accounted for on a proportionate consolidation basis.

TCI holds a 29.2% (30.0% in 1996) interest in Stratos Wireless Inc. (Stratos), formerly NewEast Wireless Technologies Inc., which provides global mobile satellite voice and data communications services. TCI's interest is accounted for under the equity method.

Participation in cable ships by Teleglobe Marine Inc. (TMI) is through limited partnership agreements. TMI's share of the partnerships is accounted for on a proportionate consolidation basis. TMI holds a 20.6% interest in McDermott Submarine Cable Systems Limited. The investment is accounted for under the equity method.

The Corporation holds a joint control interest, through Teleglobe Mobile Partners (TMP)—a US General Partnership—in ORBCOMM Global, L.P., a joint venture formed with Orbital Sciences Corporation. The joint venture interest is accounted for on a proportionate consolidation basis.

All other investments are accounted for at cost.

Regulatory principles

In 1996, as a result of the CRTC's decision concerning the change in its regulatory framework, TCI revised its accounting principles relating to regulation, and on May 15, 1996, filed a proposal with the CRTC to amend its accounting policies. TCI argued that under the new regulatory framework based on a price ceiling, it was no longer a rate-regulated entity for financial reporting purposes and should therefore be subject to generally accepted accounting principles for non-rate-regulated enterprises. TCI also argued that the changes made did not constitute changes in accounting policies to be applied retroactively and therefore applied the changes relating to the allowance for funds used during construction, deferred income taxes and the rate stabilization account prospectively as of January 1, 1996.

On January 17, 1997, the CRTC rendered a favorable decision with respect to TCI's requested changes to accounting policies.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates and assumptions also affect revenues and expenses during the period reported. Actual results could differ from these estimates. More specifically, CRTC decisions expected to be handed down in connection with Telecom Public Notice CRTC 97-34 may require TCI to review estimates and assumptions relating to the use of part or all of its assets.

2. Significant accounting policies (continued)

Revenues

In applying terms and conditions for revenue sharing with other carriers, the Corporation recognizes the revenues from and shares owed to domestic and foreign carriers as services are rendered and estimates the amount of such revenues and shares which the domestic and foreign carriers have not reported at year end.

Revenues from non-regulated telecommunications services are recognized as the services are provided.

Revenues from cable ship interests consist of a return on capital and recovery of depreciation expenses while the remaining standing and running costs are reimbursed, all under the terms of cable maintenance and repair agreements.

Until December 1997, revenues from the sale of cable capacity were recognized using the venture accounting method, whereby all related costs and revenues were recorded in inventory until the total project was completed.

Foreign currency translation

Foreign currency denominated balances of the Corporation as well as assets and liabilities of foreign subsidiaries that are considered to be fully integrated operations are translated into Canadian dollars on the following basis:

- Monetary assets and liabilities are translated using the exchange rates in effect at the balance sheet date;
- Revenues and expenses as well as non-monetary assets and liabilities are translated at the average rates of exchange prevailing at the time the transactions occurred or at the rates of exchange prevailing when the assets were acquired or the liabilities incurred;
- Exchange gains or losses on monetary items are included in income. Also, unrealized foreign exchange gains or losses relating to monetary items with fixed or ascertainable lives extending beyond one year from the balance sheet date are deferred and amortized over the remaining period.

Financial statements of self-sustaining foreign operations are translated into Canadian dollars as follows:

- Assets and liabilities, using the exchange rates in effect at the balance sheet date;
- Revenues and expenses, at average exchange rates prevailing at the time the transactions occurred;
- Unrealized exchange gains or losses on the translation of the financial statements are deferred and presented separately on the balance sheet under Shareholders' equity as Cumulative translation adjustment.

On January 1, 1996, TCI changed the method of translating the financial statements of its foreign joint ventures from the temporal method to the current rate method. This change has been applied prospectively.

Derivative financial instruments

The Corporation uses various derivative financial instruments such as forward exchange contracts, foreign currency swap contracts and foreign currency denominated options to reduce as much as possible its foreign exchange risk and to hedge monetary items as well as foreign currency revenues and expenses.

Premiums paid or received pursuant to exchange contracts are deferred and amortized over the term of the contracts. Forward exchange contracts and premiums paid or received are accounted for at cost. Realized and deferred gains or losses on these contracts are recognized in the income statement in the same year as the gains or losses resulting from corresponding hedged positions are recorded, and shown in the financial statements in the appropriate categories.

The Corporation concludes interest rate swaps to reduce the interest rate risk related to its long-term debt. The Corporation makes use of such derivative financial instruments in order to reduce the impact of fluctuations in interest rates and financing costs. Receipts and disbursements related to interest rate swaps are recorded as interest on long-term debt. The carrying values are included in Accounts receivable on the balance sheet.

Income taxes

The Corporation uses the tax allocation basis of accounting for income taxes. Deferred income taxes result mainly from timing differences between the tax and accounting value of fixed assets.

Inventories

Inventories are valued at the lower of average cost and net realizable value. They include cable system capacity projects held for resale which may remain in inventory for more than one year.

Property, plant and equipment

Property, plant and equipment are recorded at cost including, when applicable, salaries, employee benefits and capitalized interest.

Investments in cable systems correspond to the Corporation's share of the cost of the systems as well as indefeasible rights of user which it holds in international cables held by third parties.

2. Significant accounting policies (continued)

Depreciation is calculated using the straight-line method on the basis of the expected useful life of the property, plant and equipment according to the following periods:

Telecommunications equipment	5 to 15 years
Buildings, plant and equipment	3 to 40 years
Cable systems	14 to 20 years
Satellite systems	7 to 13 years
Computer software and equipment	3 to 5 years
Cable ships and submersible craft	7 to 21 years

Any gain or loss resulting from the sale or retirement of property, plant and equipment is charged to income for the year.

Goodwill

Goodwill, representing the excess cost over the fair value of the underlying net assets of acquired subsidiaries, at the date of acquisition, is amortized over 40 years on a straight-line basis. Each year, the Corporation reviews the underlying value of the goodwill by comparing its carrying value to its net recoverable value. The determination of the net recoverable value consists of evaluating forecasted income and non-discounted cash flows. Any permanent decrease in value of the net carrying amount of goodwill is charged to income.

Deferred charges

The following deferred charges are recorded at cost and amortized using the straight-line method over the following periods:

Fiber-optic capacity	Term of the leases (between 9 and 10 years)
Deferred development costs	3 years, from the start of commercial operations
Systems development costs	2 to 6 years, from the date the system is brought into service
Long-term financing charges	Term of the debt (between 8 and 30 years)

Deferred development costs consist of expenditures incurred in new businesses prior to the commencement of commercial operations. Revenues realized during the pre-operating period are recorded as a reduction of the deferred expenditures.

Pension plans

The Corporation and its subsidiaries have various contributory and non-contributory defined benefit pension plans. Current service pension costs are recorded in income in the year the services are rendered, while past service pension costs as well as experience gains and losses which have not been recorded in income are amortized over the average remaining service life of the active employee group covered by the plans. The difference between the contributions paid and pension expense is included under Deferred charges and other on the balance sheet.

Retirement benefits

Retiring employees of TCI are paid a benefit based on unused sick leave and length of service. The Corporation discontinued the program in April 1995. The liability is included as a deferred credit and the current portion is reflected in Accounts payable and accrued liabilities.

3. Revenues

Revenues are stated before any allocation of the costs associated with telecommunications revenues and reflect the elimination of intercompany revenues.

4. Information included in the statement of income

	1997	1996	1995
Depreciation of property, plant and equipment	**$108.1**	$132.1	$137.0
Amortization of deferred charges	**18.2**	27.7	22.2
Equity in losses of companies subject to significant influence	**1.4**	1.4	–
Amortization of product development costs	**–**	0.3	2.2

5. Unusual items

On December 18, 1997, the Corporation reached an agreement with an underwriting syndicate to sell all its CGI Group Inc. (CGI) Class A subordinate shares, which the Corporation had acquired on the disposal of its Insurance Systems operations, for a total consideration of $241.6, net of related expenses, and recorded a gain on disposal of $121.6. At the beginning of 1998, the agreement was modified and BCE Inc. (BCE) became a purchaser of 6 million of these shares. The transaction closed in early January 1998.

At the end of December 1997, the Corporation abandoned the venture accounting method previously applied to the capacity it held for resale in *Globesystem Atlantic*™, as the loss on the project could be estimated. A charge of $92.8 was applied against income.

In addition, the Corporation wrote down its net investment, including the loan receivable, in Optel Communications Inc. (Optel), a company involved with the sale of cable system capacity in *Globesystem Atlantic*, in which the Corporation owns a 20% equity interest. Accordingly, an amount of $22.0 was charged to income. The Corporation reached an agreement with the other shareholders of Optel to increase its ownership in the company from 20% to 100%. This transaction is subject to regulatory approval.

Finally in December 1997, the *Odyssey*™ project was abandoned following the withdrawal of the Corporation's partner. Capitalized costs of $24.5 were charged to income.

In 1995, the Corporation recorded a gain on dilution of $19.8 on the reduction of its ownership, from 100% to 70%, in TMP, a US General Partnership that owns a 50% joint control interest in ORBCOMM Global, L.P. As well, the carrying value of the assets of IDB Mobile Communications, Inc. (IDB Mobile) was reduced through a $16.2 write-down in recognition of the estimated recoverable value of these assets.

6. Financial charges

	1997	1996	1995
Interest expense – long-term debt	$ 45.1	$ 53.0	$ 49.9
Capitalized interest	(4.8)	(8.3)	(11.9)
Interest and other income	(10.4)	(8.3)	(4.9)
Loss (gain) on foreign exchange	2.8	(3.5)	4.6
Allowance for funds used during construction	–	–	(3.1)
Other	2.7	1.5	3.6
	$ 35.4	$ 34.4	$ 38.2

7. Income taxes

The Corporation's effective income tax rate differs from the statutory tax rate principally as a result of the following factors:	1997	1996	1995
Combined federal and provincial statutory income tax rate	39.6%	38.0%	39.1%
Increase (decrease) resulting from:			
Allowance for funds used during construction	–	–	(1.0)
Prior years' losses, for which no tax benefit was recorded, utilized during the year	–	(1.7)	–
Amortization of goodwill	0.5	0.9	1.0
Tax on large corporations	–	0.2	0.8
Disallowed depreciation and other	2.5	2.7	0.4
Current year losses for which no tax benefit was recorded	2.3	–	7.0
Current year unusual items for which no tax benefit was recorded	3.3	–	(1.2)
Effective income tax rate	48.2%	40.1%	46.1%
The components of the provision for income taxes are as follows:			
Canadian			
Current taxes	$101.2	$ 72.4	$ 49.6
Deferred taxes	8.8	(1.0)	6.7
	110.0	71.4	56.3
Foreign			
Current taxes	0.3	0.6	0.2
	$110.3	$ 72.0	$ 56.5

7. Income taxes (continued)

No recognition has been given to potential income tax savings which may result from corporate entities in the group claiming, for income tax purposes, net operating losses and other deductions amounting to approximately $125. Such losses and deductions will expire in the years 1998 to 2012.

8. Discontinued operations

In the third quarter of 1997, the Corporation adopted a plan to dispose of its Insurance Systems operations. On October 22, 1997, the Corporation sold all its Insurance Systems' shares to CGI for $20.0 cash and 5.3 million CGI Class A subordinate shares. These shares were subsequently split on a two-for-one basis.

The net income of the Insurance Systems unit for the years ended December 31, 1997, 1996 and 1995 has been reclassified under discontinued operations in the statement of income.

Income from discontinued operations consists of:

	1997	1996	1995
Revenues	$138.3	$151.5	$152.4
Income taxes	–	0.5	(1.3)

For the year ended December 31, 1997, the components of Income from discontinued operations were as follows:

– Net income prior to the measurement date: $3.7;

– Net gain from discontinued operations: $18.4.

9. Accounts receivable

	1997	1996
Trade accounts receivable	$644.5	$431.5
Other receivables	246.6	–
Current portion of long-term receivables	4.6	5.8
	$895.7	$437.3

10. Inventories

	1997	1996
Cable system	$ 10.8	$223.0
Other	1.6	1.6
	$ 12.4	$224.6

11. Investments

	1997	1996
Investments in companies subject to significant influence	$ 13.9	$ 10.4
Portfolio investments	5.3	43.5
	$ 19.2	$ 53.9

These investments include unamortized goodwill of $6.2 ($6.4 in 1996).

12. Property, plant and equipment

	1997	1996
Cost		
Land	$ 7.7	$ 8.6
Telecommunications equipment	585.3	531.7
Buildings, plant and equipment	252.3	273.4
Cable systems	639.4	513.3
Satellite systems	155.4	138.3
Computer software and equipment	44.9	87.5
Cable ships and submersible craft	112.9	112.9
Construction in progress	199.6	134.6
	1,997.5	1,800.3
Accumulated depreciation		
Telecommunications equipment	348.7	310.2
Buildings, plant and equipment	80.1	89.5
Cable systems	176.4	151.2
Satellite systems	64.2	53.6
Computer software and equipment	24.8	57.9
Cable ships and submersible craft	36.3	30.3
	730.5	692.7
Net book value	$1,267.0	$1,107.6

13. Deferred charges and other

	1997	1996
Fiber-optic capacity	$ 52.2	$ 23.5
Deferred development costs	45.9	21.2
Long-term receivables	18.8	19.5
Pension charges (Note 18)	13.0	12.9
Long-term financing charges	9.9	10.9
Exchange losses	10.2	7.9
Loan receivable	–	23.8
Systems development costs	–	24.3
Other	2.5	6.1
	$ 152.5	$ 150.1

14. Long-term debt

	1997	1996
Teleglobe Inc.		
Second series preferred shares (Note 16)	$ –	$ 70.1
CANTAT 3™ (US$47.5 in 1996)	–	65.1
	–	135.2
Teleglobe Canada Inc.		
Credit facility, effective rate of 4.39%	–	49.0
Debentures, 8.00%, maturing in 2026	100.0	100.0
Debentures, 8.35%, maturing in 2003	125.0	125.0
Debentures, 8.85%, maturing in 2002	125.0	125.0
Share of INMARSAT long-term debt under capital lease agreements (US$7.0; US$6.9 in 1996), 5.0% to 6.0% (5.0% to 7.1% in 1996), maturing from 2002 to 2006	10.0	9.5
Share of INTELSAT bonds (US$15.5; US$17.2 in 1996), 6.625% to 8.375%, maturing from 2000 to 2005	22.2	23.6
	382.2	432.1
Teleglobe Marine (U.S.) Inc.		
Senior notes, 7.05% (US$56.3; US$58.7 in 1996), maturing in 2013	80.5	80.5
Subordinated notes, 7.12% (US$20.5; US$22.9 in 1996), maturing in 2004	29.4	31.3
	109.9	111.8
Teleglobe Mobile Partners		
Share of ORBCOMM Global, L.P., 14.0% senior notes due in 2004 (US$85.0 in 1997 and in 1996)	121.6	116.5
Other	1.6	2.9
	615.3	798.5
Less: Current portion	9.8	81.2
	$605.5	$717.3

Credit facility

The Corporation has a credit facility of $300.0 (or US dollar equivalent) with a syndicate of domestic financial institutions that matures in 2002. The facility is unsecured and is divided in two tranches:

- A revolving-term credit facility of up to $280.0 (or US dollar equivalent) made available for general corporate purposes;
- A revolving-term credit facility of up to $20.0 (or US dollar equivalent) made available to the Corporation for general working capital purposes.

Interest rates on this facility are based on bankers' acceptances plus 0.22% or bank prime rate for drawdowns in Canadian dollars, and on LIBOR (London InterBank Offered Rate) plus 0.22% or US base rate for drawdowns in US dollars. The Corporation can also issue letters of credit at a cost of 0.22%.

At December 31, 1997 and 1996, this credit facility was unused.

CANTAT 3

A US$47.5 revolving financing facility with respect to the *CANTAT 3* cable system project was arranged with a syndicate of domestic financial institutions. This facility, which was guaranteed by the Corporation, was to mature in 2002 and carried interest rates which were based on LIBOR plus 0.22% or US base rate. In December 1997, this facility was repaid and canceled.

Earlier in 1997, this credit facility had replaced a US$47.5 non-recourse revolving financing facility which was arranged with a Canadian bank and carried interest rates based on LIBOR plus 0.50% or US base rate. It was guaranteed by BCE, one of the Corporation's major shareholders, and the guarantee was secured by a pledge of the Corporation's ownership in the subsidiary that owns the Corporation's portion of the *CANTAT 3* and *CANUS 1*™ cable systems, excluding the portion owned by TCI.

14. Long-term debt (continued)

Credit facility

In November 1996, TCI obtained a term credit facility of $49.0 with Canadian financial institutions to replace its construction loan. This non-revolving reducing-term facility was repayable in quarterly installments of $0.5 until expiration in 2001. In August 1997, the credit facility was converted to a revolving reducing-term facility by an amendment to the original credit agreement. The credit facility bears interest at rates based either on bankers' acceptances plus 1.375%, bank prime rate plus 0.50% or the lenders' cost of loans plus 1.375%. The facility is secured by TCI's shares in 1000 de La Gauchetière West Building Inc. for a principal amount of $59.0 plus interest on such amount, compounded annually at the rate of 20% per annum. As at December 31, 1997, the credit facility was unused ($49.0 in 1996).

Debentures

The 8.00%, 8.35% and 8.85% debentures issued in 1996, 1993 and 1992 respectively are unsecured and redeemable at any time by TCI. They were each issued under a trust indenture providing for the creation of a debenture in the principal amount of $300.0.

Promissory notes

TCI is authorized to issue up to $150.0 of promissory notes (commercial paper) which are supported by a revolving credit facility of up to $100.0. This facility is repayable at any time and bears interest at rates based on either the rate of bankers' acceptances plus 0.25% or bank prime rate for amounts drawn in Canadian dollars, or on LIBOR plus 0.25% or the US base rate for amounts drawn in US dollars.

The revolving credit facility is for a one-year period. Six months prior to maturity, the lenders may agree to extend the maturity date for an additional six-month period.

Operating line of credit

In the course of its operations, TCI can avail itself of a renewable-term credit facility to a maximum of $20.0. This facility is repayable at any time and bears interest at rates based on either the rate of bankers' acceptances plus 0.25% or bank prime rate for amounts drawn in Canadian dollars, or on LIBOR plus 0.25% or the US base rate for amounts drawn in US dollars. TCI can also issue letters of credit at a cost of 0.25%.

The operating line of credit is for a one-year period. Six months prior to maturity, the lenders may agree to extend the maturity date for an additional six-month period.

Teleglobe Marine – Senior and subordinated notes

Teleglobe Marine (U.S.) Inc. senior and subordinated notes, 7.05% and 7.12%, are secured by an interest in five cable ships which are owned through limited partnerships with a subsidiary of Tyco International Ltd.

Teleglobe Mobile Partners – Senior notes

In 1996, ORBCOMM Global, L.P. issued US$170.0 of 14% senior notes, due in 2004, with revenue participation interest equal to 5.0% of the *ORBCOMM*™ system revenues. The notes are fully and unconditionally guaranteed on a joint and several basis by the joint venture partners including TMP, an indirect subsidiary of the Corporation. The guarantees are non-recourse to the shareholders and partners of the guarantors.

Long-term debt maturities

1998	$ 9.8
1999	10.4
2000	13.9
2001	10.3
2002	139.0
Thereafter	431.9
	$615.3

A portion of long-term debt is subject to interest rate swaps as described in Note 21 – Financial instruments.

15. Deferred credits

	1997	1996
Income taxes	$63.5	$56.4
Tenant inducements	8.2	9.2
Revenue	15.2	4.4
Retirement benefits	4.5	5.9
Other	2.7	3.2
	$94.1	$79.1

16. Capital stock

The Corporation is authorized to issue an unlimited number of common shares, class A non-voting shares and preferred shares, all without nominal or par value.

The rights attached to the class A non-voting shares are identical to those of the common shares except for the voting right. At December 31, 1997 and 1996, there were no class A non-voting shares outstanding.

The first series preferred shares are non-voting and convertible at any time, at the option of the holder, into an equal number of common shares. No dividend may be declared on the common shares and class A non-voting shares unless an equal and rateable dividend has been declared on the first series preferred shares. The holders of preferred shares are entitled to receive capital and any dividends declared thereon before holders of common shares and class A non-voting shares in the event of liquidation, but otherwise the shares rank equally with the common shares. The shares are deemed to be equivalent to common shares for purposes of calculating earnings per share.

The second series preferred shares entitled shareholders to fixed cumulative dividends at a rate of 8% per annum. The shares were non-voting and convertible at any time based on a conversion price of $10.75 per common share. They were retractable on May 1, 1997 and redeemable from May 2, 1997 at a price of $25.00 per share. During 1997, all such shares were converted or redeemed.

In 1996, the second series preferred shares were classified as compound instruments. The liability component was determined to be $23.50 per share and the equity component (option to convert into common shares), $1.50 per share at the time of issue on May 19, 1991. As at December 31, 1996, there were 2,984,085 second series preferred shares outstanding.

The third series preferred shares entitle shareholders to fixed cumulative dividends at a rate of 5.4% per annum. The shares are non-voting and are, at the Corporation's option on or after April 1, 2001, redeemable for cash at $25.00 per share or convertible into common shares of the Corporation determined by dividing $25.00 by the greater of $3.00 and 95% of the weighted average trading price of the common shares at the time of conversion. On or after May 1, 2001, subject to the preemptive right of the Corporation to redeem for cash or to find substitute purchasers at $25.00 per share, the shares are convertible at the option of the holder into common shares of the Corporation based on the same formula used for redemption. At any time, the Corporation may offer shareholders the right to convert into a further series of preferred shares on a one-for-one basis.

16. Capital stock (continued)

Capital stock issued and outstanding and changes in capital stock are as follows:

	Number	Amount
First series preferred shares	1,285,000	$ 18.0
Equity component – Second series preferred shares		
Balance, December 31, 1996		4.5
Conversion into common shares		(4.5)
Balance, December 31, 1997		–
Third series preferred shares	5,000,000	125.0
		$143.0
Common shares		
Balance, December 31, 1994	56,818,652	$541.3
Issued during 1995		
Exercise of options for cash	165,327	1.5
Conversion of second series preferred shares	465	–
Balance, December 31, 1995	56,984,444	542.8
Issued during 1996		
Exercise of options for cash	194,589	2.8
Conversion of second series preferred shares	36,539	0.4
Repurchase for cash	(555,700)	(5.2)
Balance, December 31, 1996	56,659,872	540.8
Issued during 1997		
Exercise of options for cash	127,045	1.7
Conversion of second series preferred shares	6,937,095	74.6
Repurchase for cash	(37,718)	(0.4)
Balance, December 31, 1997	63,686,294	$616.7
Common shares reserved for:		
Preferred shares	1,285,000	
Options, issued to employees and directors at prices ranging from $12.25 per share to $50.62 per share, exercisable by instalments over periods extending to 7 years (there were 412,511 options exercisable at December 31, 1997)	1,665,378	
	2,950,378	

Earnings per share

The weighted average number of common and first series preferred shares outstanding in 1997 used to calculate basic earnings per share was 62.9 million (58.3 million in 1996; 58.2 million in 1995).

The following table shows the basic earnings per share:

	1997	1996	1995
Continuing operations before unusual items, net of related taxes	$ 2.05	$ 1.73	$ 0.95
Continuing operations	$ 1.77	$ 1.73	$ 1.01
Net income	$ 2.12	$ 1.81	$ 1.41

Fully diluted earnings per share reflect the most dilutive effect which would have resulted if the second series preferred shares and third series preferred shares had been converted into common shares and if the stock options had been exercised as at January 1.

The number of shares used in the calculation of the fully diluted earnings per share in 1997 was 66.7 million (66.8 million in 1996; 73.4 million in 1995).

16. Capital stock (continued)

The following table shows the fully diluted earnings per share:

	1997	1996	1995
Continuing operations before unusual items, net of related taxes	$ 1.97	$ 1.61	$ 0.94
Continuing operations	$ 1.71	$ 1.61	$ 0.99
Net income	$ 2.04	$ 1.68	$ 1.31

17. Joint ventures

The following amounts relating to joint ventures are included in the financial statements:

	1997	1996
Current assets	$ 51.5	$ 102.4
Long-term assets	487.9	435.3
Current liabilities	38.6	32.0
Long-term liabilities	155.9	151.5
Net Income	29.5	26.4
Cash provided by operating activities	49.7	25.8
Cash applied to investing activities	(57.8)	(99.0)
Cash provided by (applied to) financing activities	(18.3)	107.0
Increase (decrease) in cash during the year	$ (26.4)	$ 33.8

In 1996, the Corporation sold its 50% interest in IDB Mobile to Stratos and acquired through TCI a 30% interest in Stratos. The investment in Stratos is accounted for under the equity method whereas the investment in IDB Mobile was accounted for using the proportionate consolidation method in previous years.

As at December 31, 1997 and 1996, the Corporation, through an indirect subsidiary (TMP), was committed to investing US$6.3 in the *ORBCOMM* project. Also, under certain events, TMP and Orbital Sciences Corporation were committed to funding up to a maximum of US$30.0 if 20 satellites had not been put into commercial service and if ORBCOMM Global, L.P., had less than US$25.0 in cash available on December 31, 1998.

18. Pension plans

The Corporation and its subsidiaries have contributory and non-contributory defined benefit plans which provide pensions based on length of service and final average earnings.

Actuarial reports prepared during the year, which were based on projections of employees' compensation levels to the time of retirement, indicate that the present value of accrued pension benefits as at December 31, 1997 was $110.4 ($104.1 in 1996) and the net assets available to provide for these benefits, at adjusted market value as at December 31, were $146.6 ($134.3 in 1996).

The cumulative difference of $13.0 ($12.9 in 1996) between the funding contributions and the amounts expensed has been reflected in the balance sheet as a deferred pension charge.

The pension expense for the year was $3.8 ($2.7 in 1996; $1.9 in 1995).

19. Changes in non-cash operating balances

	1997	1996	1995
Accounts receivable	$(240.5)	$(118.1)	$ 42.9
Inventories	48.2	10.8	(3.8)
Accounts payable and accrued liabilities	281.8	59.5	(29.6)
Other	(40.8)	(10.7)	(11.2)
	$ 48.7	$ (58.5)	$ (1.7)

20. Related party transactions

The Corporation concluded the following transactions at exchange value with related parties in the normal course of business.

Party	Nature of transaction with the related party	Classification in the Corporation's financial statements	1997	1996	1995
BCE Inc. and its affiliates	Equipment leasing, acquisition of services, financing fees and other	Operating expenses, fixed assets and inventories	$ 13.1	$ 11.2	$ 22.8
Joint ventures	Sale of equipment	Fixed assets	(4.2)	(3.1)	(3.3)
	Sale of services	Operating expenses	(9.2)	(6.6)	(3.1)
	Acquisition of services	Operating expenses	25.0	21.1	23.0
	Rental of head office premises	Operating expenses	11.3	10.9	9.6
Company subject to significant influence	Management services	Operating expenses	1.1	0.5	–
	Sale of services	Revenues	0.8	1.1	0.8
	Acquisition of services	Revenues	(1.7)	(1.2)	(0.7)
Stentor Canadian Network Management	Sale of services	Revenues	557.6	563.4	629.7
	Acquisition of services	Cost of revenues	72.1	83.5	81.1
	Lease of domestic fiber-optic capacity	Deferred charges	14.8	20.0	4.0
Stentor Resource Centre Inc.	Lease of domestic fiber-optic capacity	Deferred charges	30.4	–	24.0

Amounts owed to or receivable from related parties as at December 31 were as follows:

Party	Classification in the Corporation's financial statements	1997	1996
BCE Inc. and its affiliates	Accounts payable and accrued liabilities	$ 0.9	$ 1.4
Joint ventures	Accounts payable and accrued liabilities	3.0	5.9
Company subject to significant influence	Accounts payable and accrued liabilities	2.7	1.5
Stentor Canadian Network Management	Accounts receivable	155.1	79.7
	Accounts payable and accrued liabilities	7.4	–
Stentor Resource Centre Inc.	Accounts payable and accrued liabilities	30.4	–

Joint ventures

TCI has reached various agreements with BCE regarding the operation of an office building.
TCI uses the satellite space segments of the INTELSAT and INMARSAT joint ventures.

20. Related party transactions (continued)

BCE Inc. and its affiliates

Bell Canada, Newtel Enterprises Limited, Northwestel Inc., Télébec Ltée and Northern Telephone Limited are subsidiaries of BCE and provide, either directly or through subsidiaries, telephone services in Ontario, Québec, Newfoundland, British Columbia, the Yukon and the Northwest Territories, respectively. New Brunswick Telephone Company Limited, Maritime Tel and Tel Limited and Island Telephone Company Limited are associated with BCE and provide telephone services in New Brunswick, Nova Scotia and Prince Edward Island. Five of these companies are members of Stentor. The others offer telecommunications services pursuant to interconnection agreements with Stentor members. Stentor has reached various agreements with TCI.

The major portion of income relating to foreign traffic originating in Canada is generated by member companies of Stentor under the terms of the *International Globeaccess Service Tariff*. Moreover, TCI compensates member companies of Stentor for international traffic carried in Canada.

In the normal course of business, TCI has ongoing relations on an arm's length basis with a telecommunications company in the BCE Group, Bell Canada, either directly or indirectly through Stentor. Moreover, TCI transacts with a manufacturer in the BCE Group, Northern Telecom Canada Limited.

21. Financial instruments

The Corporation operates internationally and is therefore exposed to market risks related to foreign currency fluctuations. To reduce these risks, it uses derivative financial instruments such as forward exchange contracts, foreign currency swap contracts and foreign currency denominated options, principally in US dollars and in special drawing rights. To manage risks related to interest rates, the Corporation uses interest rate swaps. It does not hold or issue derivative financial instruments for commercial or speculative purposes. Derivative financial instruments are subject to standard credit terms and conditions, financial controls, management and risk monitoring procedures.

Credit risks

The Corporation is exposed to credit risks in the event where third parties fail to perform their obligations under derivative financial instruments. The Corporation does not have any additional guarantees or security regarding derivative financial instruments with a credit risk. However, to reduce these risks, the Corporation diversifies its exchange contracts and interest rate swaps by dealing with financial institutions having a credit rating at least equal to its own. Accordingly, management does not foresee that the parties with which it transacts financial instruments will fail to fulfill their obligations given their high creditworthiness.

In addition, the Corporation is exposed to credit risks from customers. Except for the accounts receivable from Stentor Canadian Network Management, as shown at Note 20 – Related party transactions, the concentration of risk is limited by the large number of customers.

Foreign currency risk

The Corporation uses derivative financial instruments to hedge its revenues, expenses and monetary items recorded in foreign currencies when the probability of their realization is high and their major expected characteristics and execution conditions are identified. Such revenues, expenses and monetary items are recognized within one year. The duration of derivative financial instruments is less than one year. Unrecognized gains or losses on these contracts (presented below) are determined using market rates prevailing at the balance sheet date, which are obtained from the Corporation's financial institutions.

	1997		1996	
	Gains	Losses	Gains	Losses
Recognition within one year	$–	$1.7	$0.1	$0.6

Interest rate risk

The Corporation concluded interest rate swaps for a par value of $100.0 with several financial institutions for periods ending in March 2000 ($50.0) and February 2002 ($50.0). In return, it will, on semi-annual basis, receive an average fixed interest rate of 5.365% and pay interest based on a three-month bankers' acceptance rate. As at December 31, 1997, the average bankers' acceptance rate relating to the Corporation's swaps was 4.283%.

Fair value of financial instruments

The fair value of cash and short-term deposits, accounts receivable and accounts payable is comparable to the carrying amount thereof given as they will mature shortly.

21. Financial instruments (continued)

The fair value of portfolio investments and other investments is comparable to the carrying value.

The fair value of long-term debt is determined by discounting future cash flows using rates representing those which the Corporation could currently obtain, at market rates, for loans with similar terms, conditions and maturities.

The fair value of various derivative financial instruments is determined based on market rates prevailing at the balance sheet date obtained from the Corporation's financial institutions for similar financial instruments.

As at December 31, the carrying amount of all financial instruments was similar to their fair value, with the following exceptions:

	1997		1996	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial instruments recognized on the balance sheet				
Financial asset:				
Loan receivable	$ –	$ –	$ 26.4	$ 27.8
Financial liability:				
Long-term debt	615.3	681.3	798.5	835.8
Financial instruments not recognized on the balance sheet				
Forward exchange contracts	71.5	71.0	52.4	52.4
Foreign currency swap contracts	–	0.3	–	–
Interest rate swaps	–	0.4	–	–

22. Commitments

The Corporation has the following commitments under contracts for services and operating leases for property, plant and equipment:

1998	$ 60.2
1999	48.9
2000	45.1
2001	40.0
2002	40.4
Thereafter	223.8
	$458.4

Contractual commitments outstanding as at December 31, 1997 which relate to construction projects amounted to approximately $138.7 ($54.7 in 1996) including the Corporation's share of various joint ventures.

23. Contingencies

Various lawsuits and claims are pending by and against the Corporation. It is the opinion of management and supported by counsel that final determination of these claims will not have a material adverse effect on the financial position or results of the Corporation.

24. Segmented information

The Corporation conducts its operations under the following segments:

Teleglobe Communications

Provision of telecommunications services including activities reported under Telephony – Canada, Telephony – International and Transmission and Data Services.

Teleglobe World Mobility

Provision of mobile satellite communications services.

Teleglobe Enterprises

Design and development of applications to package, store and deliver digital content in the new media sector. Installation, maintenance and repair of submarine cables and provision of marine consulting services.

24. Segmented information (continued)

Reportable segments are managed separately as each offers different services with different marketing strategies.

The segments' accounting policies are the same as those described in Note 2 – Significant accounting policies.

The following tables present information about reported segment profits and assets as well as information by geographic area:

1997	Teleglobe Communications	Teleglobe World Mobility	Teleglobe Enterprises	Unallocated amounts	Total
Revenues					
Telephony – Canada	$1,078.4	$ –	$ –	$ –	$1,078.4
Telephony – International	776.3	–	–	–	776.3
Transmission and Data Services	106.0	–	–	–	106.0
Other	–	–	27.2	–	27.2
Total	1,960.7	–	27.2	–	1,987.9
Cost of revenues	1,269.7	–	–	–	1,269.7
Gross margin	$ 691.0	$ –	$ 27.2	$ –	$ 718.2
Interest expense – long-term debt	$ 35.8	$ –	$ 7.7	$ 1.6	$ 45.1
Interest and other income	6.8	–	0.2	3.4	10.4
Depreciation of property, plant and equipment	103.6	–	4.3	0.2	108.1
Unusual items (gain)	114.8	24.5	–	(121.6)	17.7
Equity in losses of companies subject to significant influence	–	0.5	0.9	–	1.4
Segment profit (loss)	$ 128.9	$ (25.8)	$ 13.6	$ 112.0	$ 228.7
Income taxes	–	–	–	(110.3)	(110.3)
Income from discontinued operations	–	–	–	22.1	22.1
Net income	$ 128.9	$ (25.8)	$ 13.6	$ 23.8	$ 140.5
Segment assets	$1,867.7	$ 324.3	$ 106.8	$ 285.2	$2,584.0
Investments in companies subject to significant influence	–	7.6	6.3	–	13.9
Capital expenditures	150.6	71.9	0.2	–	222.7

1996	Teleglobe Communications	Teleglobe World Mobility	Teleglobe Enterprises	Unallocated amounts	Total
Revenues					
Telephony – Canada	$1,063.6	$ –	$ –	$ –	$1,063.6
Telephony – International	399.2	–	–	–	399.2
Transmission and Data Services	52.2	–	–	–	52.2
Other	–	19.0	28.7	–	47.7
Total	1,515.0	19.0	28.7	–	1,562.7
Cost of revenues	956.7	–	–	–	956.7
Gross margin	$ 558.3	$ 19.0	$ 28.7	$ –	$ 606.0
Interest expense – long-term debt	$ 38.1	$ –	$ 8.0	$ 6.9	$ 53.0
Interest and other income	4.9	–	0.1	3.3	8.3
Depreciation of property, plant and equipment	124.8	0.7	6.4	0.2	132.1
Equity in losses of companies subject to significant influence	–	0.3	1.1	–	1.4
Segment profit (loss)	$ 183.1	$ 0.5	$ 10.9	$ (14.9)	$ 179.6
Income taxes	–	–	–	(72.0)	(72.0)
Income from discontinued operations	–	–	–	4.9	4.9
Net income	$ 183.1	$ 0.5	$ 10.9	$ (82.0)	$ 112.5
Segment assets	$1,717.6	$ 278.9	$ 101.9	$ 212.0	$2,310.4
Investments in companies subject to significant influence	–	8.6	1.8	–	10.4
Capital expenditures	78.1	47.0	1.6	0.2	126.9

24. Segmented information (continued)

1995	Teleglobe Communications	Teleglobe World Mobility	Teleglobe Enterprises	Unallocated amounts	Total
Revenues					
Telephony – Canada	$1,110.3	$ –	$ –	$ –	$1,110.3
Telephony – International	172.6	–	–	–	172.6
Transmission and Data Services	39.9	–	–	–	39.9
Other	–	25.2	50.3	–	75.5
Total	1,322.8	25.2	50.3	–	1,398.3
Cost of revenues	831.4	–	–	–	831.4
Gross margin	$ 491.4	$ 25.2	$ 50.3	$ –	$ 566.9
Interest expense – long-term debt	$ 35.4	$ –	$ 7.4	$ 7.1	$ 49.9
Interest and other income	2.1	–	–	2.8	4.9
Depreciation of property, plant and equipment	126.5	3.1	7.2	0.2	137.0
Unusual items	–	3.6	–	–	3.6
Segment profit (loss)	$ 127.5	$ (2.6)	$ 12.3	$ (14.6)	$ 122.6
Income taxes	–	–	–	(56.5)	(56.5)
Income from discontinued operations	–	–	–	23.3	23.3
Net income	$ 127.5	$ (2.6)	$ 12.3	$ (47.8)	$ 89.4
Segment assets	$1,627.8	$ 133.6	$ 109.5	$ 209.4	$2,080.3
Capital expenditures	135.6	20.3	0.2	0.4	156.5

Geographic information		Canada	United States	Other	Total
1997	Revenues	$ 689.1	$ 388.1	$ 910.7	$1,987.9
	Property, plant and equipment	863.5	354.4	49.1	1,267.0
1996	Revenues	720.7	103.0	739.0	1,562.7
	Property, plant and equipment	883.6	220.6	3.4	1,107.6
1995	Revenues	798.0	61.9	538.4	1,398.3
	Property, plant and equipment	966.0	177.6	2.9	1,146.5

Revenues are attributed to different countries based on the point of origin of the traffic.

The reportable segments have changed and the corresponding items for prior years have been restated.

Five-year review

(in millions of Canadian dollars except number of employees, number of shares and per share amounts)	1997	1996	1995	1994	1993
Revenues	$1,987.9	$1,562.7	$1,398.3	$1,364.8	$1,320.0
Gross margin	718.2	606.0	566.9	501.8	431.7
Income from operations before unusual items	281.8	214.0	157.2	134.4	118.9
Income from operations	264.1	214.0	160.8	125.9	118.9
Income from continuing operations	118.4	107.6	66.1	68.8	58.1
Net income	140.5	112.5	89.4	84.6	69.1
Earnings per share – Basic	$ 2.12	$ 1.81	$ 1.41	$ 1.36	$ 1.24
– Fully diluted	$ 2.04	$ 1.68	$ 1.31	$ 1.25	$ 1.20
Total assets	2,584.0	2,310.4	2,080.3	1,934.4	1,768.2
Long-term debt	615.3	798.5	684.0	666.9	713.1
Shareholders' equity	1,114.5	939.2	873.5	811.7	630.9
Cash dividends declared per share					
Common and first series preferred	$ 0.57	$ 0.46	$ 0.39	$ 0.35	$ 0.31
Second series preferred	$ 0.67	$ 2.00	$ 2.00	$ 2.00	$ 2.00
Third series preferred	$ 1.35	$ 1.35	$ 1.35	$ 1.08	$ –
Number of common shares outstanding (in millions)	63.7	56.7	57.0	56.8	56.8
Number of employees	1,204	1,882	1,804	1,899	2,128

Quarterly financial data (unaudited)

(in millions of Canadian dollars except per share amounts)	First	Second	Third	Fourth	Total year
1997					
Revenues	$ 422.6	$ 474.7	$ 514.1	$ 576.5	$1,987.9
Gross margin	154.0	172.2	188.1	203.9	718.2
Income from operations before unusual items	53.6	66.9	75.2	86.1	281.8
Income from operations	53.6	66.9	75.2	68.4	264.1
Income from continuing operations	26.4	30.1	38.5	23.4	118.4
Net income	26.4	33.8	38.5	41.8	140.5
Earnings per share – Basic	$ 0.43	$ 0.50	$ 0.57	$ 0.62	$ 2.12
– Fully diluted	$ 0.40	$ 0.49	$ 0.56	$ 0.60	$ 2.04
1996					
Revenues	$ 356.6	$ 375.2	$ 391.5	$ 439.4	$1,562.7
Gross margin	137.4	142.6	160.5	165.5	606.0
Income from operations	39.7	53.5	63.5	57.3	214.0
Income from continuing operations	15.3	24.8	32.6	34.9	107.6
Net income	17.1	27.4	35.7	32.3	112.5
Earnings per share – Basic	$ 0.26	$ 0.44	$ 0.58	$ 0.53	$ 1.81
– Fully diluted	$ 0.26	$ 0.40	$ 0.53	$ 0.48	$ 1.68

Market price

	1997		1996	
Montreal and Toronto (in Canadian dollars)	High	Low	High	Low
Per common share				
First quarter	$ 42.65	$ 37.25	$ 20.88	$ 17.38
Second quarter	55.00	38.60	21.75	19.10
Third quarter	56.00	43.55	25.80	21.55
Fourth quarter	52.50	41.00	41.00	24.00
Per second series preferred share[1]				
First quarter	98.00	88.00	49.50	42.00
Second quarter	93.50	88.50	50.50	45.00
Third quarter	N.A.	N.A.	58.50	50.00
Fourth quarter	N.A.	N.A.	95.00	60.00
Per third series preferred share				
First quarter	26.50	25.30	24.25	22.75
Second quarter	26.50	24.95	24.75	23.60
Third quarter	26.50	25.25	25.25	24.25
Fourth quarter	27.00	25.60	26.25	24.90
New York (in US dollars)[2]	High	Low	High	Low
Per common share				
First quarter	$ N.A.	$ N.A.	$ N.A.	$ N.A.
Second quarter	39.75	32.50	N.A.	N.A.
Third quarter	40.63	31.75	N.A.	N.A.
Fourth quarter	38.03	30.00	N.A.	N.A.

On December 31, 1997, the market price per share on the Montreal, Toronto and New York stock exchanges was:

Common share	– Montreal	$ 43.50
	– Toronto	$ 43.50
	– New York (in US dollars)	$ 30.38
Third series preferred share	– Montreal	$ 25.65
	– Toronto	$ 26.20

(1) The second series preferred shares ceased to be traded on May 2, 1997, following the repurchase by the Corporation of all the outstanding second series preferred shares that were not converted at that date. (2) Common shares have been traded on the New York Stock Exchange since June 12, 1997.

Teleglobe around the world

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St. James Financial
Corporation Inc.

[2] **André Bureau**
Chairman of the Board,
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Chief Executive Officer,
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and Chief Executive Officer,
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[1,4] **C. Edward Medland**
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President,
Addenda Capital Inc.

[3,4] **H. Arnold Steinberg**
Associate,
Cleman Ludmer Steinberg Inc.

[3] **Peter G. White**
Executive Vice-President,
The Ravelston
Corporation Limited

Lynton R. Wilson
Chairman and
Chief Executive Officer,
BCE Inc.

[1] Member of the Audit Commitee

[2] Member of the Human Resources Committee

[3] Member of the Finance Committee

[4] Member of the Corporate Governance and Related Party Transactions Review Committee

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Chief Executive Officer,
Teleglobe Inc.
Montréal – CANADA

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Chairman and
Chief Executive Officer,
Universal Studios
California – USA

Edgar Bronfman, Jr.
President and
Chief Executive Officer,
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New York – USA

Esther Dyson
Chairman,
EDventure Holdings Inc.
New York – USA

Ambassador Diana Lady Dougan
Senior Advisor and
International Communications
Studies Chair,
Center for Strategic
and International Studies
Washington, D.C. – USA

Michio Naruto
Executive Vice President,
Fujitsu Limited
Tokyo – JAPAN

Walter Bigelow Wriston
Former Chairman,
Citicorp
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Charles Sirois
Paolo Guidi
Claude Séguin
Guthrie J. Stewart

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President and
Chief Executive Officer,
Teleglobe Communications
Corporation and
Teleglobe Canada Inc.

Claude Séguin
Executive Vice President,
Finance and Chief Financial
Officer, Teleglobe Inc.
Chief Executive Officer,
Teleglobe World Mobility

Guthrie J. Stewart
Executive Vice President,
Global Development,
Teleglobe Inc.
Chief Executive Officer,
Teleglobe Media Enterprises

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Vice President, Legal Affairs
and Corporate Secretary

Brigitte Bourque
Vice President, Corporate
Human Resources and
Employee Communications

Meriel Bradford
Vice President, Government
and External Relations

Jacques Deforges
Treasurer

François Laurin
Vice President, Finance
and Corporate Controller

Paul Lamontagne
President and
Chief Operating Officer,
Teleglobe Media Enterprises

Marc Leroux
Vice President, Technology,
Teleglobe Inc.
President and
Chief Operating Officer,
Teleglobe World Mobility

Teleglobe Communications Officers

GianFranco Bucelli
Vice President and
General Manager,
Eastern Europe, Middle East,
Africa and India

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Vice President,
Global Marketing and
Product Management

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President, Teleglobe USA
Vice President and
General Manager, Americas

Michel Cayouette
Vice President, Finance
and Strategic Planning
and Treasurer

Rick Ciccone
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General Manager, Europe
and Asia-Pacific

Robert D. Collet
Vice President and
General Manager, Data
and Internet Services

Jan Czech
Vice President,
Global Network Operations

Dominique Jacquet
Vice President,
Global Network Planning
and Corporate Chief
Information Officer

Denis Richard
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Corporate Development
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Annual Meeting
The Annual Meeting of Teleglobe Inc. will be held at 2 p.m. on Thursday, May 14, 1998, at the News Theatre, 98 The Esplanade, Toronto, Ontario. Shareholders are invited to attend this meeting.

Stock Exchange Listings
Teleglobe Inc. is listed on the Montreal Exchange, the New York Stock Exchange and the Toronto Stock Exchange under the symbol TGO for common shares, and on the Montreal and Toronto exchanges under the symbol TGO.PR.B for third series preferred shares. The Corporation delisted its shares from the Vancouver Stock Exchange in February 1998.

Securities Commission Filings
In addition to its annual report, the Corporation files an Annual Information Form (AIF) with the Canadian securities commissions. Under the multi-jurisdictional disclosure system, it also files with the U.S. Securities and Exchange Commission an annual report, AIF and Management Proxy Circular as attachments to Form 40-F. For further information or additional copies of any of these documents, or to eliminate multiple mailings or discontinue interim reports, please write to:

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Tel.: (514) 868-7642
Web site: http://www.teleglobe.com

Trade-marks
Teleglobe, the symbol and the corporate signature of which it is part are registered trade-marks of Teleglobe Inc.

Look TV and *Jazz Media Network* are trade-marks of Teleglobe Inc.

ORBCOMM is a trade-mark of Orbital Communications Corporation.

Taurus is a registered trade-mark of Orbital Sciences Corporation.

Pour obtenir un exemplaire de la version française du rapport annuel, veuillez écrire au service des Relations avec les investisseurs.

Glossary

ATM Services:
Sold under the *GlobeATM*™ brand, these services provide virtual private lines to carriers and Internet service providers connected to Teleglobe's ATM (asynchronous transfer mode) switches in North America and Europe. ATM permits voice, data, video and multimedia signals to be transmitted simultaneously between network access points.

Broadcast:
Teleglobe provides a wide range of international audio-video transmission services. Our INTELSAT signatory status, our global network of satellite earth stations and *Globesystem Atlantic*™ enable us to transmit news and sporting events from around the world on a full-time or occasional-use basis.

Carrier Lease:
Carrier lease service is the leasing of Teleglobe's facilities to administrations or facilities-based carriers for the purpose of providing public telephony and business services between two terminal countries.

Collect Calling:
Inbound collect service is the easiest way for international customers to call collect. It allows an overseas caller to use an international toll-free number to reach a Teleglobe operator in North America and place a collect call to a North American telephone number.

Digital Transit Service:
A cost-effective transit service whereby a carrier sends a portion of its international traffic to a final destination via Teleglobe.

***Globeinternet*™:**
Globeinternet service is uniquely designed to provide Internet service providers and carriers with cost-effective and high-performance dedicated access connections to the Internet at multiple speeds (64 kbps to 45 Mbps) via international satellite or cable facilities. The service provides direct access to US Internet networks and transit to international networks.

***GlobeISDN*™:**
Targeted at carrier and business customers, Teleglobe's *GlobeISDN* service provides end-to-end digital connections over switched facilities. This service supports high-speed voice, data, fax and multimedia applications.

***GlobePCS – Borderless Roaming*™:**
An international roaming signalling conversion service which allows GSM (Global System for Mobile Communications) operators to offer roaming to and from North America.

***Globesystem Atlantic*™:**
This system links North America and Europe through two fiber-optic submarine cables, *CANTAT 3*™ and *CANUS 1*™, enabling voice, images and data to cross the North Atlantic at speeds up to 155 Mbps. *Globesystem Atlantic* was the first intercontinental system to use SDH (synchronous digital hierarchy) technology.

Home Country Direct:
A service provided to other carriers under various trade names, including *Canada Direct*™, which allows their subscribers traveling abroad to access North American-based enhanced services platforms for the purpose of placing calls to North America or to overseas destinations. Teleglobe allows its customers to use toll-free numbers assigned to it by foreign carriers and routes the calls over its international network.

International Direct Distance Dialing:
IDDD is a service that allows callers to place international calls directly, i.e., without operator assistance. Teleglobe provides IDDD to over 240 countries and territories both as a wholesale offering for carriers and as a retail service.

International Private Line:
Marketed under the name *GlobeIML*™ and other brands, this service allows multiple corporate offices to connect their telecommunications networks through a dedicated, digital point-to-point circuit. Available via either cable or satellite, this fully redundant service operates at speeds of 64 kbps and up, and can integrate a number of applications including voice, data, facsimile, messaging and videoconferencing.

International Toll-Free Service:
ITFS can be used as a means of accessing a card platform service, allowing carriers/resellers to deliver a calling card product to their customer base. There are currently more than 69 countries from which Teleglobe offers international toll-free service.

10-10609:
A US residential service by which US customers can "dial around" their pre-subscribed international carrier to take advantage of Teleglobe's lower international rates.

***Millennium*™:**
Millennium is a broadcast service used to transmit video formatted in the MPEG-2 4:2:2 digital standard for high-definition and digital TV (HDTV, DTV) over a bandwidth-efficient ATM backbone.

Paid 800:
An inbound service that enables an overseas caller to access a Canadian/US toll-free number for traditional toll-free services, such as customer orders and service inquiries.

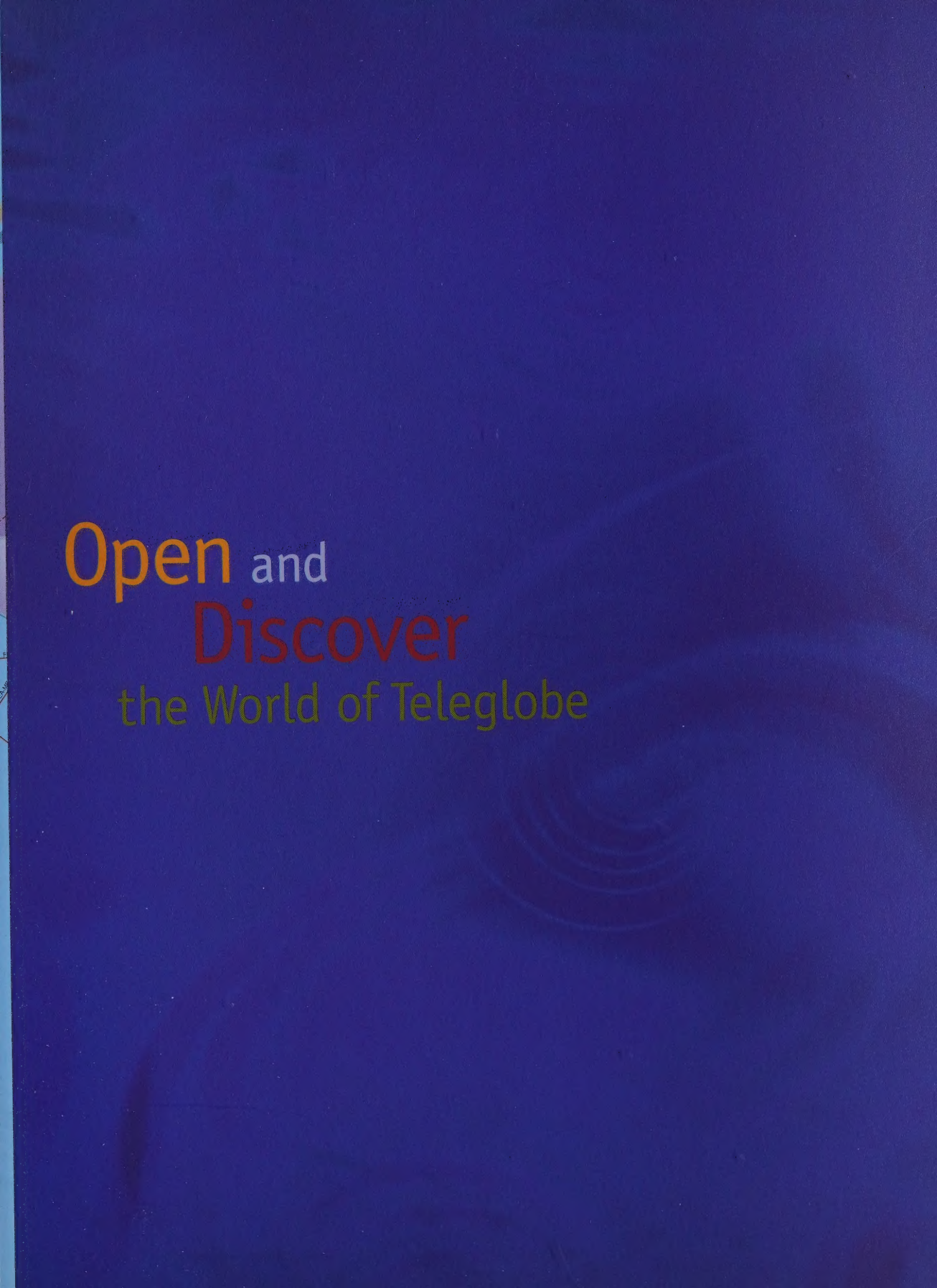
Prepaid Card:
A proprietary calling card issued by Teleglobe or a reseller and bought by consumers in dollar or minute denominations. The card is then used by the consumer to place and pay for long-distance telephone calls.

Switched Transit:
The routing of traffic between two carriers via Teleglobe's facilities. This is used for overflow traffic and traffic between two countries with no direct connections.

***TeleBridge*™:**
TeleBridge is a residential and small business service that allows callers to dial a toll-free access number (800/888) in order to save on international calls. The service enables callers to use Teleglobe's resellers without having to change their long-distance provider.

Universal International Freephone Number:
Marketed by Teleglobe under the *Globe800 Universal*™ brand, UIFN is an option of the existing International Toll-Free Service (ITFS) that allows a customer to have one toll-free number accessible from multiple countries. UIFN is available in 20 countries.

™Trade-mark of Teleglobe Inc., Teleglobe Canada Inc., Teleglobe International Corporation, or one of its affiliates or subsidiaries.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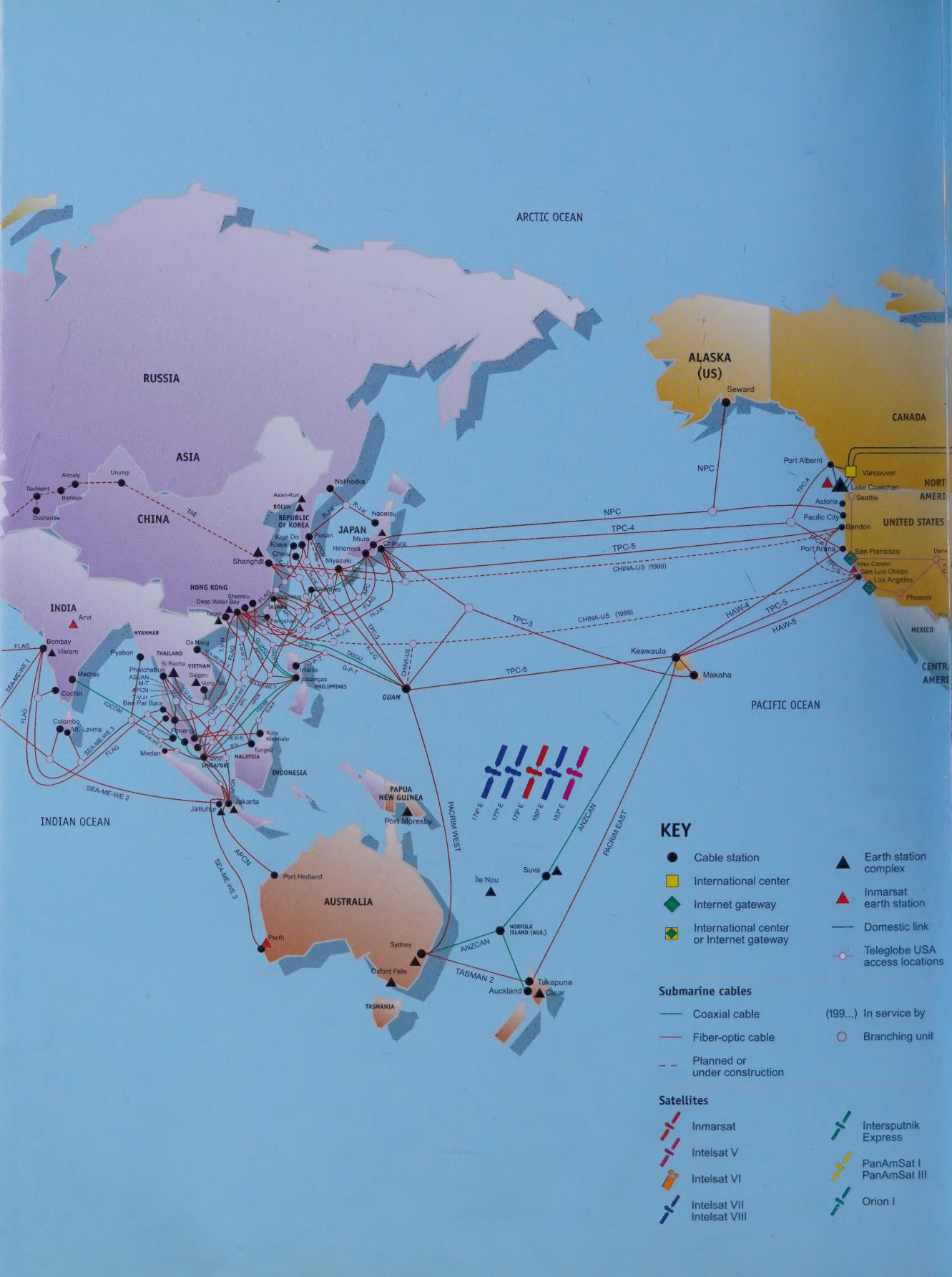
the World of Teleglobe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Naoetsu
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Ninomiya
Chikura
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Deep Water Bay
Tseung Kwan O
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TAIWAN-PC
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FLAG
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Bombay
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THAILAND
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V-H
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IOCOM
SEA-ME-WE 2
SEA-ME-WE 3
FLAG
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Auckland
Takapuna
Clear
NORFOLK ISLAND (AUS.)
Suva
Île Nou
ANZCAN
PACRIM WEST
PACRIM EAST
PAPUA NEW GUINEA
Port Moresby
GUAM
CHINA-US
TAICU
G-P-T
Manila
Batangas
PHILIPPINES
Ibaraki
Chikura
174° E
177° E
179° E
180° E
185° E
KEY
Cable station
International center
Internet gateway
International center or Internet gateway
Earth station complex
Inmarsat earth station
Domestic link
Teleglobe USA access locations
Submarine cables
Coaxial cable
Fiber-optic cable
Planned or under construction
(199...) In service by
Branching unit
Satellites
Inmarsat
Intelsat V
Intelsat VI
Intelsat VII
Intelsat VIII
Intersputnik Express
PanAmSat I
PanAmSat III
Orion I

GREENLAND
(DENMARK)
ICELAND
Vestmannaeyjar
Faroe Islands
NORWAY
SWEDEN
FINLAND
Kristiansand
Stockholm
Kingisepp
UK
IRELAND
RUSSIA
EUROPE
Killiney
Ballinspittle
Bude
Brean
Rodmell
Bognor
Lowestoft
Whitby
Redcar
Aberdeen
Stavanger
Gothenburg
Helsinki
Hanko
Kotka
Lancaster
Widnes
Southport
Wijk aan Zee
Norden
Ostrhauderfehn
Emden
Norderney
Sylt
Blaabjerg
Esbjerg
Skagen
Ringkobing
Aabenraa
Fredericia
Kalundborg
Rostock
Stralsund
Ahlbeck
Swinoujscie
Kolobrzeg
Gdynia
Hel
Kaliningrad
Klaipeda
Riga
Tallinn
St Petersburg
Kingisepp
Narva
Kiev
UKRAINE
Odessa
Novorossiysk
Sochi
Tuapse
Poti
Batumi
Sevastopol
Yalta
Feodosiya
Kerch
Anapa
Gelendzhik
Tuapse
Poti
Batumi
Sochi
Novorossiysk
Odessa
Constanta
Varna
ROMANIA
BULGARIA
Ankara
TURKEY
Mersin
Iskenderun
Tartus
Beirut
Haifa
Netanya
Ashdod
Tel Aviv
ISRAEL
Mahmeriya
JORDAN
Tehran
PAKISTAN
Kuwait City
Karachi
Manama
Dubai
Doha
Abou Dhabi
Fujairah
Muscat
INDIA
Jeddah
Bombay
Madras
Pyabon
IOCOM
Colombo
ML Lavina
Djibouti
Suluita
Longonot
Mwenge
Mwembeshi
Kanjedza
Mazowe
Kgale
Pretoria
SOUTH AFRICA
Cape Town
INDIAN OCEAN
Cassis
Des Laurentides
Pennant Point
Montréal
Manic Bay
Greenhill
New York
Manahawkin
Tuckerton
Philadelphia
Baltimore
Nashville
Atlanta
Vero Beach
Miami
Massau
BERMUDA (UK)
Devonshire
ATLANTIC OCEAN
Ponta Delgada
Azores
Madeira
Canary Islands
Grand Canary
Cape Verde
Dakar
SENEGAL
Gandoul
Ouagadougou
Karma
Wondufong
Somgande
Wehntown
Abidjan
Abomey-Calavi
Victoria Island
Lanlate
Nfoutenso
Zamengoe
N'koltang
Mougouni
AFRICA
MOROCCO
Tetouan
Casablanca
Sehouts
ALGERIA
Algiers
Bizerte
Dkhila
TUNISIA
Tripoli
LYBYA
Alexandria
Maadi
EGYPT
Suez
Grand Cayman
CUBA
DOMINICAN REPUBLIC
HAITI
JAMAICA
Kingston
Montego Bay
Port-au-Prince
Saint-Marin
Antigua and Barbuda
Saint Kitts and Nevis
Guadeloupe
Martinique
Barbados
St Vincent and the Grenadines
Curacao
Aruba
Bonaire
Maracaibo
Caracas
Carupano
Cumana
Barcelona
Puerto La Cruz
Porlamar
Trinidad
Tobago
Bananquilla
Cartagena
Camatagua
Macquerpe
Georgetown
Panama
Choconta
Buenaventura
Quito
Punta Carnero
Lurin
Arica
BRAZIL
SOUTH AMERICA
Fortaleza
Florianopolis
CHILE
ARGENTINA
Puerto Montt
Curacaui
Longuimay
Los Cerros
Mataito
URUGUAY
Maldonado
Montevideo
Las Toninas
Buenos Aires
UNISUR
(1999)
AC-1 (1168)
CANTAT 3
TAT-10
TAT-12
TAT-11
PTAT-1
TAT-13
TAT-8
TAT-9
CANUS 1
ATLANTIC CROSSING (AC-1)
FPAT-1
CARAC
COLUMBUS 2
COLUMBUS 3
MERICAS 2
TCS-1
EURAFRICA
PENCAN 3
SAT-1
SAT-3
WASC
SAT-2
ATLANTIS 2
GLOBAL CROSSING 1
GLOBAL CROSSING 2
SEA-ME-WE 2
SEA-ME-WE 3
FLAG
IOCOM
SEA-ME-WE 2
30°4' E
30°8' E
30°7' E
31°6' E
31°7' E
322.5° E
325.5° E
335.5° E
338.5° E
342° E
344.5° E
348° E
359° E
65° E
64.5° E
64° E
Intersputnik
(Express)
TELEGLOBE

TELEGLOBE